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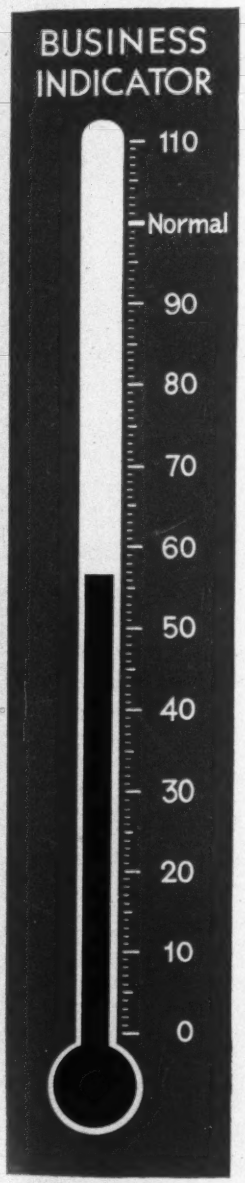
THE BUSINESS WEEK



The week's records are not especially promising for those expecting speedy improvement in the business picture under pressure of credit expansion efforts . . . . Most indicators showed some relapse in the level of industrial and trade activity from the first half of May as well as somewhat less favorable features in the financial situation . . . . The unseasonal strengthening in steel output since the outset of the month has slackened slightly as automotive summer schedules are revised, but June is expected to bring a peak in car production, and some stimulus for structural steel demand is coming forward from increasing public construction . . . . Carloadings, electric power output and check payments reflect further contraction in manufacturing activity and retail trade . . . . Securities markets relapsed to new low levels with increasing anxiety over central-European financial difficulties, and evidence that Federal Reserve efforts to induce member bank credit expansion have so far proven unsuccessful . . . . Direct measures by local business-banker committees to break the credit jam may have better luck, but the tide of events is moving rapidly toward congressional action to enlarge the powers of the Reconstruction Corporation and use the public credit to create employment where private credit agencies are unable to operate because of paralysis of financial confidence and industrial initiative . . . . It is clear that constructive forces are converging on the crucial problem of checking the deflation process; but they must be boldly and speedily applied and organized on an international scale to be effective at this stage.

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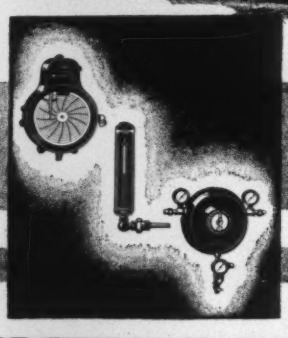


INDICATING RECORDING CONTROLLING

THE BUSINESS WEEK (with which is combined The Magazine of Business) June 1, 1932. No. 143. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42d Street, New York, N.Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $7.50 per year, in U.S.A. and possessions; $10.00 or £2.10s. per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A. Copyright 1932 by McGraw-Hill Publishing Company, Inc.

This Business Week:

Washington

Big business, the bankers, and the gentlemen of the government, are pretty well agreed on *what* they hope to accomplish—the release of public and private credit. Where they disagree is *how* to change paper and metal and credit in banks into payrolls and purchases. *(p. 5)*

However it is done, Federal financing of private projects puts the U. S. government into business; it is startling to realize it has become the most advanced exponent (next to Russia and Italy!) of state capitalism. The R. F. C. loan to the Pennsylvania is the first government money to go for construction rather than rescue work, and a perfect example of the principle. *(p. 6)*

C. of C.

Delegates to the California camp meeting of the U. S. Chamber of Commerce wrestled manfully with the devils of depression. *(p. 7)*

Marketing

The great tradition of the home-owning American seems to be on the wane. More and more often, the American's castle is his apartment. The sixth part of The American Consumer Market considers the effect of this change. *(p. 18)*

Charge accounts and free services which brought in business in free-spending days, are a drain on meager margins right now. Department stores are beginning to prune their non-productive departments. *(p. 8)*

Food chains may feature cigarettes at 2-for-a-quarter, but drug and cigar chains can't afford such loss leaders, have jumped retail prices. *(p. 10)*

The astute Mr. Morrow believes the United Cigar Stores Co. should stop losses in realty; its realty subsidiary goes into bankruptcy. *(p. 11)*

"If Congress is minded to amend the anti-trust laws," says Chief Counsel Healy of the Federal Trade Commission, in a blast against the Nye bills, "it should do so itself." *(p. 11)*

Chain stores, warned by accelerating decline in dollar volume, are beginning to think more about profits and less about tonnage. *(p. 9)*

Motors

At least 3 automobile makers are convinced that their best chances this year are in that forgotten market which craves a good, plain car at a gadget-less price. *(p. 11)*

Foreign

The Soviets plan extensive work on the Trans-Siberian line; they have liberalized the rules for the collection of grain; they are encouraging individual initiative on the farms and in the shops; they are assiduously cultivating trade relations with neighbors. All these developments serve to remind Americans that here is a big potential customer. *(p. 23)*

Argentina has been watching the swift strides of modern refrigeration, sees in them a threat and an opportunity, hastens to get into step. *(p. 25)*

Germany needs $30 millions a month to meet foreign debt service. Her average trade balance so far is $24 million monthly, and it keeps shrinking. *(p. 24)*

Production

Necessity is the mother of research, these days, forcing developments and improvements in many lines. *(p. 14)*

Plumbing equipment makers are ready for any upturn of building and remodeling, with fixtures of new design. *(p. 14)* The American Institute of Steel Construction adds its endorsement to the feeling that home construction must be adapted to mass production. *(p. 14)*

Clinic

After a year studying the causes of our economic ills, the American Engineering Council is about to look for the cures. *(p. 13)*

Milk

Dairymen are faced with new difficulties, product of the times, see some hope in the orderly readjustment which prevents price wars. *(p. 12)*

Transportation

Parliamentary probing into affairs of the Canadian National Railways has found a tender spot—the huge emoluments to executives, in particular, to Sir Henry Thornton. But he has a contract. *(p. 16)*

Truck operators have always preferred state control to federal control. Supreme Court decisions upholding drastic Texas and Kansas laws may make federal regulation look like the lesser evil. *(p. 15)*

"Government ownership" is an oft-heard phrase in the fight over rail legislation. *(p. 15)*

Figures

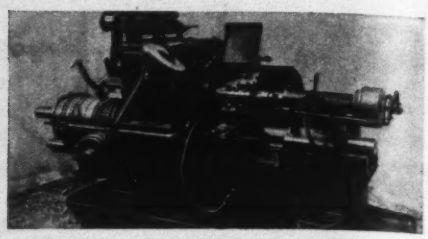
Business activity seems unable to withstand the steady ebbing of confidence. Steel has turned downward after several weeks of small but steady gains. Construction for May is mildly favorable due to public works. Carloadings are lower. *(p. 32)*

In this issue:

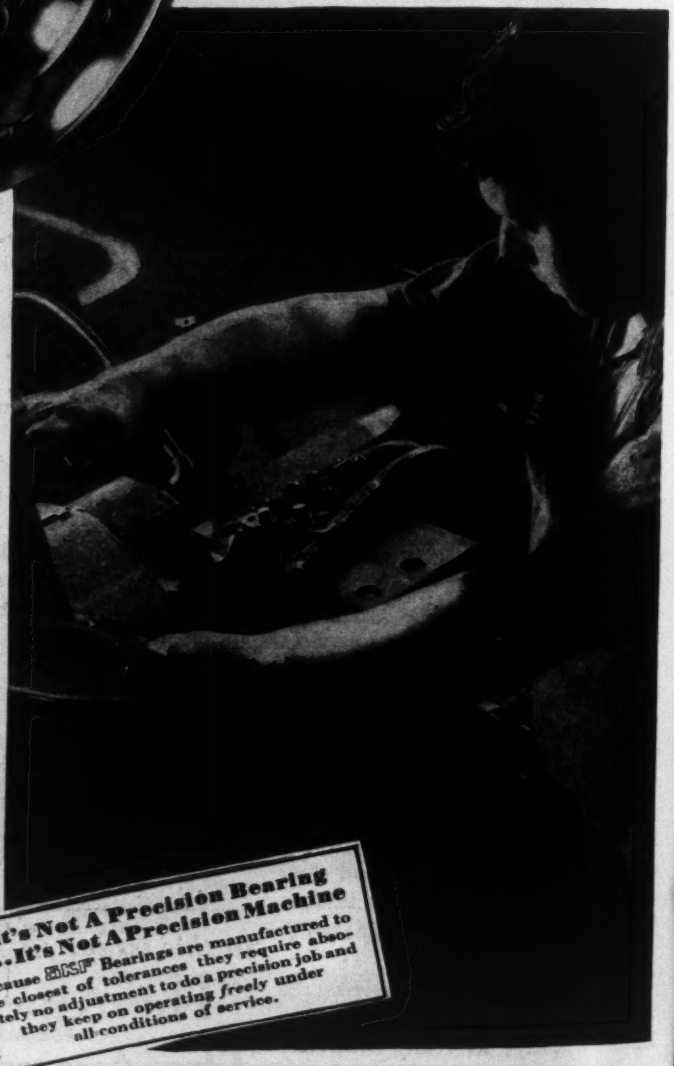
"The American Home," Part 6 of The American Consumer Market

8 YEARS AT HIGH SPEED

Fay Lathe equipped with SKF Bearings. Eight years of operation in a busy Detroit automobile plant failed to show any appreciable signs of wear in the bearings.



... AND NO APPRECIABLE SIGNS OF WEAR!



Performance... not purchase price... is the real measure of value in bearings. Performance such as SKF delivers day in and day out in thousands of varied industries. Performance that is the product of sound, time-tried design... of specially selected materials... of manufacture up to standards of precision that border upon perfection. And where bearings are concerned, performance always talks louder than a price tag.

In the Fay Lathe shown here, the performance of the bearings was typical of SKF. For eight years this lathe was operated at high speed in a Detroit automobile plant. For a large part of this time it was in service for twenty-four hours a day. Yet when the lathe was dismantled for overhauling, the SKF Bearings showed no appreciable signs of wear. And at no time during their period of service did they require adjustment of any kind.

In practically every field of industry SKF Bearings have established records for long, uninterrupted, trouble-free service that no other bearing has ever approached. After all, performance in a bearing is the thing you pay for... performance is the thing you should demand.

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A PROMISE IS ONLY A PROMISE... *PERFORMANCE* IS HISTORY

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending May 28, 1932

Congress, Hoover, Young's Group All Seek to Break Credit Dam

Agreed upon a purpose, there still is lively fighting over scope and method

ORGANIZATION of an unofficial committee of big business and bank men under auspices of the Federal Reserve Bank of New York and chairmanship of Owen D. Young, and explicit statement of Administration opposition to a large public works program were outstanding developments in further recovery efforts during the week.

These were consistent parts and logical extensions of the Administration's depression policy as developed during the past 3 years. Step by step since the original White House conference of business leaders in November, 1929, to pledge maintenance of private construction programs, the purpose has been to promote business and financial confidence, strengthen the banking position, prevent suspensions, stop hoarding, check deflation, and finally stimulate credit expansion through regular banking channels. The war-debt moratorium last June, the National Credit Corporation, the Reconstruction Finance Corporation, the Glass-Steagall Act, and the aggressive Federal Reserve policy of open market operations begun in March were successive stages in this strategy.

Some Success Recorded

Some of its objectives were fairly successful until recently; bank suspensions and hoarding were reduced during the first quarter of this year, but there has been some increase of currency in circulation since, and a somewhat less satisfactory record of bank failures during April. Other results, by way of active credit expansion by member banks and improvement of business activity, security markets, and commodity prices, have been unduly slow. The mechanical problem of accelerating recovery has reduced itself to one of transforming bank credit resources—now accumulated in excess bank reserves in main money centers as a result of Federal Reserve open-market policy—into active use in payrolls and commodity purchasing.

Evidence is abundant that only "needy borrowers" want to borrow, and few important business concerns are eager to float new security issues, except for refunding maturing debts. A recent specific inquiry by *American Machinist* among some 25 representative concerns in its field showed either no desire for bank credit accommodation or no undue difficulty in getting it, and no knowledge that any other condition exists in the industry or the communities concerned.

In some places, of course, bank resources are not large as yet and new applications for credit have to be rationed with care, but the banking position has so far improved that there is considerable pressure upon the stronger banks, especially in the larger centers, to employ their surplus funds. This is evidenced by the record low yields on short-term government securities and other very liquid paper. The banks are not making many new commercial loans because there is little or no demand, and they are not buying long-term corporation bonds because of lack of confidence in the outlook for the bond market, due to legislative and fiscal uncertainties.

Young Committee's Job

The Young committee and similar bodies likely to be set up in other Reserve districts are intended to help break this credit deadlock. Just how is not yet clear. Generally the committees will provide agencies for cooperative effort among banks and leading business interests (*a*) to support the bond market by concerted action heretofore lacking in sporadic bond pools set up on bad breaks but in turn broken by liquidation by non-cooperators when improvement in prices appeared; (*b*) to promote new business projects promising increased employment but unable

International News

WAYS AND MEANS—*Ways by General Dawes, of the R.F.C., means by Secretary Mills, of the Treasury, neither looking very happy after talking over the country's pressing problems at the White House*

to finance themselves under prevailing security market conditions; (c) to assist refunding operations not now covered by Reconstruction Finance Corporation functions.

The whole idea is an effort to promote recovery by normal capitalistic processes of reviving private capital investment through regular banking channels. One difficulty is that it depends upon voluntary cooperation among banks, which was not conspicuously successful under the National Credit Corporation; another is that the banks and all needy businesses are already suffering from over-extension of long-term credit or excessive capital investment.

The Opposite Approach

The new relief or recovery plans in preparation in Washington, which prompted the President's pronouncement of opposition to public works programs, attempt to tackle the problem from the opposite angle; to put idle credit to work through public channels.

The dispute is as to method and scope of use of public credit. All congressional plans so far proposed provide in varying amounts for some long-term Treasury borrowing to finance federal public construction, for loans through the Reconstruction Finance Corporation to public and private bodies to finance self-liquidating construction or other business enterprise, and to provide immediate relief funds for states where relief resources are exhausted.

The Administration wants the public works part cut out or kept to a minimum and the Reconstruction Finance Corporation converted into a gigantic investment trust, selling its securities in the market, drawing upon idle private credit resources, and financing or assisting any enterprise or project, public or private, which will be a self-sustaining or safe investment.

Reasons for Indirection

The theory is that by this procedure the public credit would not be directly involved, no further Treasury borrowing would be necessary, and the budget would remain technically balanced because the project would pay its charges and would be self-liquidating. The implication is that further direct borrowing by the federal government would seriously damage its credit, and that it is preferable to set up a separate agency to borrow and lend funds to promote public and private enterprises. The further implication is that the R. F. C. would act with better business judgment and less log-rolling than Congress.

Under this plan, which appears in some form in all the congressional proposals, the government could properly go into the investment banking business to promote expansion of private productive facilities supplying goods and services in competition for a share of the consumer dollar with others already in the market, but it could not itself finance and should not itself undertake the production of community equipment supplying services for collective consumption, the cost of which the whole country shares and which do not compete with the output of any private business. The Administration argues that public works have already been overdone, have not been effective, that there is no need for more, that they do not make as much employment as private enterprise, and put too great a burden on taxpayers.

Toward State Capitalism

In some respects the Administration plan, which is sure to be applied with or without additional ordinary public works provisions, is more radical than the largest public works program that has ever been proposed. The Reconstruction Finance Corporation has already made the government part owner of 36 railroads, several thousand banks and insurance companies; investment in a great variety of other private enterprises on a still larger scale will establish the United States as the most advanced example of state capitalism outside of Italy and Russia.

Banks Not Dismayed

Banker interests do not seem as much alarmed over this prospect as they do over that of new regular federal bond issues. Reconstruction Finance Corporation securities would probably bear higher rates, now much desired as good liquid investment by banks with excess reserves; and part investment by government in new enterprises might stimulate private security issues for such projects and so improve the investment banking business, which is dead.

Government participation in such enterprises, though a prior lien, would help make them preferred investments and create a ready market for equity or second-lien shares. The whole plan was suggested by a New York investment banker.

Pennsy Loan First R.F.C. Cash To Go for Direct Employment

INTERSTATE COMMERCE COMMISSION'S approval last week of a $27.5-million loan to the Pennsylvania Railroad puts the first big chunk of Reconstruction Finance Corp. at work actually employing labor and buying materials. Except for the moderate grant of $4 millions to the New York Central, also for construction work, the advances authorized to other roads have been for meeting financial obligations.

The Pennsylvania loan has provided the Administration with good talk about the stimulating effect of the R.F.C. and about the hire-and-buy atmosphere that President Hoover wants to create. It must be remembered, however, that although $27.5 millions is a respectable item and approval of it indicates the general policy of the corporation, such a precedent actually means very little since none of the other roads, so far as is known, is planning construction.

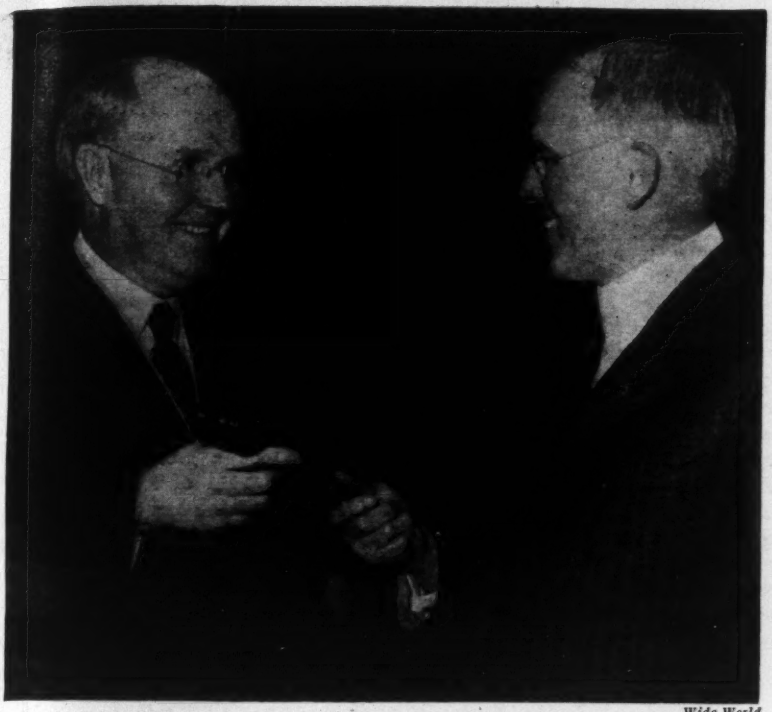
The President has also used the Pennsylvania loan to define what he means by "income-producing works" as distinguished from non-productive.

The loan to the Pennsylvania is for a 3-year period and is half the amount for which the road originally applied. By requiring the railroad to raise the other half itself, as also in demanding more and better collateral, the commission is running true to form.

The loan is to become available Oct. 1. An equal amount is to be raised by the Pennsylvania through sale of its securities. The railroad also proposes to get an additional $13 millions necessary to finance the $68-million construction work this year.

The total cost of Pennsylvania's construction program, including the electrification between New York and Washington, and the Newark, Philadelphia, and Baltimore improvements, is placed at $264.7 millions, of which approximately 40% has already been spent. The project is scheduled for completion by July, 1933. It means the purchase of 68,000 tons of steel, 38 million lbs. of copper, 158 transformers, 176 electric locomotives, alterations on 36 others, 114 multiple-unit car equipments, 6,500 miles of wire.

Increased reliance on the R.F.C. for help in meeting interest charges is foreseen, as the receipts of the Railroad Credit Corp. from freight surcharges are considerably below expectations.



Wide World

PASSING THE GAVEL—*Silas Strawn, of Chicago, relinquishes the symbol of office as Henry I. Harriman, of Boston, takes over the presidency of the United States Chamber of Commerce at the convention in San Francisco*

Chamber of Commerce Finds Many Ills But Few Remedies

AFTER wrestling mightily with the devils of deflation, The United States Chamber of Commerce adopted resolutions a good deal like those of other years, elected a new president, closed its twentieth convention in San Francisco, allowed its delegates to scurry back to their individual problems. Henry I. Harriman, of Boston, chairman of the New England Power Association, succeeded Silas Strawn, of Chicago, in the presidency.

The convention named the dangers that beset us but was no more successful than other bodies in indicating definitely how they might be overcome. Important resolutions were weakened by qualifying "buts." This is inevitable in an organization representing a great variety of special interests. The general membership clamors for lower taxes, but shipping men and shipbuilders won't give up subventions from the government. There is a general cry against government interference in business but none against federal credit outpourings, which necessarily have strings attached. Naturally, factors directly touching a man's income are of greater importance than those affecting the mass of the membership.

Summarized, the convention's recommendations were:

Taxes and government expenditures must come down; but budgets must be balanced.

Generous provisions must be made for persons who suffered the disabilities of the War, and the $2 billion "adjusted compensation" of 1924 must be carried out; but all other compensation should be repealed.

The government should continue subsidies and subventions where needed but should avoid competition with adequate private operation.

Public building projects have cut down unemployment and should be continued, but the limitation on wages should be repealed as it is "inconsistent with the very important purposes of these expenditures."

Other resolutions had unqualified backing. They urged:

Cessation of government competition with legitimate private enterprise.

Uniform state laws governing the marketing of merchandise and commodities.

Continued study and action by the Economic Council on synchronizing production with consumption, wage maintenance, foreign trade.

Strengthening of trade associations and chambers of commerce.

Speeding of an inquiry into anti-trust laws by the Judiciary Committee of the House and a program for removing barriers restrictive to business expansion.

Prosperity for the farmer.

Strengthening of existing federal credit agencies.

Removal of unjust laws from retail merchandising.

Stabilization of silver.

Removal of government vessels competing with private American companies.

Rectification of unregulated transportation competition.

Continuance of railroad operation in its proper sphere through consolidation.

Retroactive repeal of the recapture of profits clauses in the 1920 Transportation Act.

Encouragement of free employment agencies, regulation of commercial agencies.

Retirement annuities for employees.

Repeal of the Farm Board's power to operate in the crop markets, with the orderly dispersal through existing channels of wheat now held.

World Oil Conference Expects Russia to Sign

NOT settled yet, but progressing nicely. That's the status of the world oil conference now being held in New York. British, Russian, and American delegates are the guests of Socony–Vacuum (*BW—May18'32*). Major decisions may be reached by the end of the month, details finished the first week in June.

The final agreement is likely to be a virtual cartel arrangement whereby each member is given a definite share of the world market. Russia may even be prevailed upon to accept a fixed share equal to her export surplus in 1931. It is more likely that the Soviets will demand a flexible proportionate share of the market based on 1931 exports. Either way, with the cooperation of the world's 3 greatest producers, prices should be firm and cut-throat competition should end.

The Soviets are not likely to give up

their marketing facilities in Germany, Britain, or Italy, but beyond these it is entirely possible that the country's exportable surplus will be handled on world markets through the export setup of the other 2 great nationals. Russian exports of oil last year exceeded 5 million tons.

Moscow can accept no plan to curtail production. Though the production of oil has far exceeded the schedule in the Five-Year Plan, and though domestic consumption has doubled the figure for 1913, Russia suffered an acute internal shortage of oil and oil products last year. The industrialization program demands a far greater domestic consumption. If exports remain relatively fixed for a 10-year period, but prices are raised and steadied so that the return in valuta is increased, the domestic market will have a chance to absorb some of the oil products so badly needed.

Observers, speculating on the prospect, recall the agreement which was reached last year among the great producers of platinum, of which Russia is one. At that time, export quotas were fixed, Russia being given a definite share in proportion to proved exports. Since then prices have steadied, Russia has received a larger return than if exports had been unregulated, and dredging equipment has been applied to gold mining, the returns from which are highly important to the Soviets.

Russia's place in the oil world has become too important for her cooperation to be ignored. The Russian delegates are "going half way" with the other representatives at the conference. But the results will be proof that the rest of the world has recognized Russia once more as a world oil power. Benefits are almost sure to be mutual.

Charge Accounts Aren't What They Used to Be

DEPARTMENT store sales volume, despite bargains and brave advertising, continues to parallel the course of general business. Profit margins, at prevailing low prices, are narrower; competition from specialty stores, variety chains, and house-to-house workers, is hotter.

As a consequence, the big stores are not quite so big-hearted as was their wont in the days of liberal buying. It is this free consumer service which now pains them particularly.

Charge accounts are perhaps the biggest headache. Normally responsible for a major portion of sales, they now produce little or no extra volume. Moreover, payments are slow, collection expenses and losses on the increase.

Many stores are already looking askance at this traditional cornerstone of the business. Some have gone so far as to remove it.

The Namm Store, one of Brooklyn's largest, has gone Macy. For some time it has systematically curtailed existing accounts, discouraged new ones. Now, regular charge and instalment accounts are being closed out as quickly as possible. The changeover to all cash was well publicized and no material loss of volume has so far been recorded.

Hearn's 104-year-old New York department store, has also gone the way of all cash, with favorable results, is now attempting to economize further by reducing delivery expense. Cash-and-carry sales, with a 15¢ delivery charge, are being featured.

Other stores are installing new departments selling fast-moving merchandise which people are accustomed to take along. Hahn Department Stores, Inc., is installing 5, 10, & 25¢ sections in at least 10 of its 27 stores. These sections resemble regular dime stores, with open counters, clerks for rapid-wrapping and change-making.

In many stores, the leisure of the old-fashioned dining-room is being replaced by the fast turnover of lunch counters, soda-fountains, and sandwich shops.

Statistics bolster the conviction that department stores must adapt themselves to present buying levels if they are to survive. Sales volume in April this year fell 24% below 1931; sales for the first 4 months are 21% under those for the same period of last year. This on the authority of the Federal Reserve Board, covering 544 stores in 231 cities.

Preliminary figures from the report on department store operation, being prepared by the Controllers Congress of the National Retail Dry Goods Association, show that all stores doing over $1 million took a gross margin drop from 1930 to 1931 of 0.1% to 0.9%. Smaller stores, doing less than a million dollar business, increased their gross margin by 0.7%.

Time Now of the Essence Of the Packers' Case

DENIED a rehearing of the famous consent decree case (*BW—May11'32*) within 3 days of application—which is something like a legal record—the packers have nothing left to hope for from the Supreme Court except a little leniency in fixing the time allowed them

The Business Week

PERFORATED CELLOPHANE—*This new way of making tea, introduced by McCormick of Baltimore, is superior to the fabric bag. It is tasteless and odorless; its transparency reveals the quality of the leaf*

for final compliance with the decree. And a rereading of Justice Cardozo's somewhat caustic comments on their past history of compliance is unlikely to brighten their hopes of that.

Should the court decide that the packers have already had 12 years to divest themselves of forbidden interests and demand prompt action, they will be obliged to dispose of valuable holdings while the market is at very low ebb. Whether it will take these facts into consideration and grant them 6 months or a year of grace will not be known until the mandate goes forward to the Supreme Court of the District of Columbia, which granted the modification of the decree (*BW—Jan14'31*) recently reversed.

Lacking any such leniency, the packers would still have a way out if they took advantage of an offer made—somewhat gleefully, no doubt—by the American Wholesale Grovers Association, intervener in the consent decree case on the side of the government. To prevent dumping and demoralization of the market, this organization has offered to relieve them of the stocks of which they must divest themselves, effect orderly distribution through existing channels at prices which will insure its old opponents a fair return on their investment.

Chains' Heads Watch Sales Drop; Turn From Volume to Profit

Efforts to keep up to last year's dollar totals at any cost begin to look like bad strategy

WITH commodity price levels stabilized more completely than at any time during the last 3 years, performance records of chains during the first 4 months of 1932 furnish a fair measure of the volume of current consumer buying. They also indicate that, while there has been heavy retrenchment in luxury purchases, little is being sacrificed in the buying of the essentials.

Eleven food chains, representing the performance of over 30,000 units, show a dollar volume decline of only 10.81% from the total for the same period of 1931, although, according to the U. S. Bureau of Labor Statistics, March food prices dropped 16.9% between 1931 and 1932. This means either that the chains are keeping up tonnage gains or that they are getting higher prices.

Tonnage Falls Off

Tonnage records kept by The Great Atlantic & Pacific Tea Co. (only national chain boasting such figures) reveal interesting changes in merchandising weather. Through 1931 they showed a steady increase in the face of declining dollar sales. In January, however, A. & P. tonnage decreased 3.74% against a decrease of 12.5% in dollar sales. During the 4 weeks ending April 30 tonnage was 7.44%, dollar sales 14.89% under totals of the same period in 1931.

Those familiar with the current operation of food chains contend that several systems are engaged in a gradual but continuous increase in selling prices to insure profitable operation. Executives have come to the conclusion that attempts to keep dollar sales at last year's level merely result in increasing operating losses. They are now being converted to the theory that it is better to do less volume at a profit.

It is significant that the variety chain group, after showing a slight increase in dollar volume during 1931—chiefly through additions in lines or units—has finally found that dollar sales volume cannot be indefinitely maintained by such methods and is now showing declines in dollar sales ranging from 1.7% to 10.5% below the level for the first 4 months of 1931. While some of these chains have temporarily suspended further expansion, others are committed to modest additions. Woolworth, for instance, announces that 30-odd new units are planned for 1932.

Chains specializing in apparel and style merchandise have continued to reflect the drastic price reductions and extensive liquidation of distress and bankruptcy stocks that have occurred in this field. Their declines in dollar sales volume during the first 4 months of 1932 range from 5.2% for the 1,460-store J. C. Penney system to 23.8% for the 30 Consolidated Retail Stores with an average decline of 16.5% reported for the 5 major chains.

Shoe chains, with a comparatively steady sales volume under normal conditions, show the effect of lower prices, of competition from other chains and department store basement sales. In metropolitan areas they are also feeling the increased competition of hat store chains—such as Truly Warner and Sarnoff-Irving—which now feature popular-priced shoes. Melville Shoe Co.'s 4-month 1932 sales were 17.2% under those of 1931 and the Schiff Co. chain shows a 14.4% drop.

Drug store chains, which made substantial increases in dollar sales during 1931, joined the retreat with the turn of the year. Their declines in dollar sales for the first 4 months range from 2.4% for Peoples Drug Co. to 10.2% for the Walgreen chain.

Mail Order Houses Bank on Lower Prices

THE 2 big mail order houses are still banking on the ability of price cuts to force consumption, stimulate employment. Sears, Roebuck and Montgomery Ward midsummer catalogues now in the mails offer comparable goods at prices ranging 5% to 50% below those of the 1931 midsummer issue.

Price reductions are credited to lower raw material, production, overhead, and selling costs and are not expected to apply beyond stocks accumulated or ordered for the present sales drive.

Retailers in the cities where the mail order houses have retail stores are glad that these low prices apply only to mail order buyers, appreciate the gesture toward building local good-will.

Both houses announce kerosene-burning mechanical refrigerators at prices slightly above $100, expect to build considerable sales volume in territories where neither electricity nor gas is available.

Tire manufacturers and dealers, who have considered price increases inevitable, are much disturbed over mail-order cuts averaging 10% on second and third line tires. Rubber and cotton are way down, but when labor costs are figured in current prices are found to cover little more than manufacturing costs, leaving only starvation margins for the retailer.

Sales of the mail order houses have declined materially from last year's levels. Sears' volume during the first 4 months of 1932 showed a 20.2% drop; Ward's was 22.5% off. Both houses report that over 50% of their volume now comes through retail stores.

Cigarette Prices Go Up In a Cloud of Rumors

SELLING cigarettes on a "loss leader" basis may be all right for the food chains (*BW—Mar16'32*); they have plenty of opportunity to make up their losses in the sale of other non-advertised, flexibly-priced items. But it's all wrong for the large cigar and drug chains. So the latter have decided. And with the decision, their cigarette prices have gone up again to 14¢, or 2 packs of 20 for 27¢. These are the figures originally set when the manufacturers boosted wholesale prices in June, 1931 (*BW—Jul8'31*). United Cigar Stores and the A. Schulte chain led the return; smaller dealers were glad to follow them.

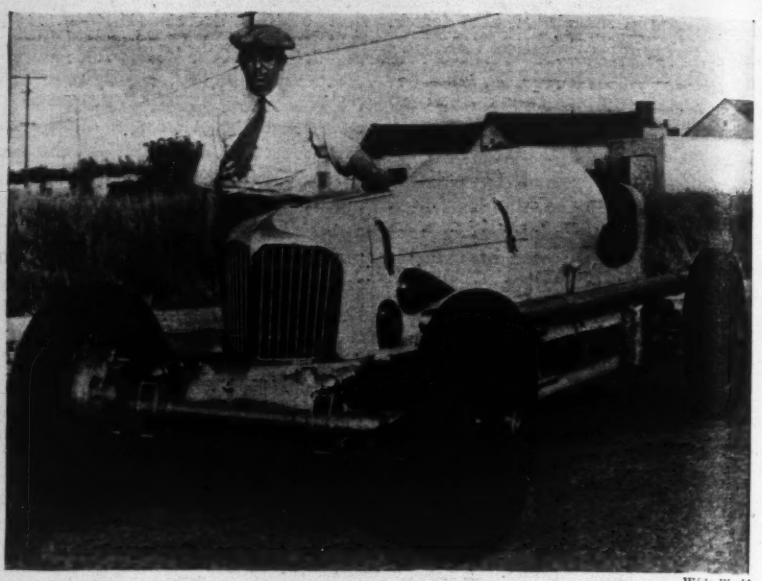
Why It Happened

Just what gave them the courage of their convictions—since food chains are happily advertising 2 packs for 25¢, cartons at $1.25—is open to interpretation. Some interpreters conclude that the cigar and drug retailers have seen little evidence of any actual changes in sales of leading brands during the price gyrations of recent years, have decided they can afford to take a profit, after all. Others argue that, at current business levels, they cannot afford not to take a profit, even on cigarettes.

However, commentators who are conspicuously in the know insist that the price-raise is essentially a showdown; that the rebels confidently expect a further drop in sales that will convince the Big 4 that, if they want to get their share of the available business, they must put wholesale prices back to where the retailer can make a profit at 2 for 25¢—which means to the old $6.40 a 1,000. Submitted in evidence: Cigarette production, long showing a steady decrease, dropped further in April—from 9,470 millions in 1931 to 7,562 millions in 1932, which is 20% to the bad; new brands of 10¢ cigarettes are filching business; rolling-your-own has proved to be no passing fad.

Wholesalers Alarmed

Wholesalers are already alarmed. They can make a profit at present prices and turnover, but they depend on the trade of independent dealers to keep their cigarette volume on a satisfactory basis. They have an idea that the big fellows' increase is designed to force special price concessions which would permit the latter to cut into the wholesale trade. They are listening to disturbing reports that independents have already been solicited by agents of the cigar chains promising prices below current wholesale levels.



Wide World

"TO IMPROVE THE BREED"—*Harry Miller and his new Miller Special designed for the great Indianapolis race. Its 300 horsepower is delivered equally to all 4 wheels, permitting faster turns and greater acceleration*

United Cigar Would Amputate Realty Unit to Stop Losses

Holders of mortgages and leases likely to contest attempt at split-up

ATTEMPTS of George K. Morrow, sagacious surgeon of sickly systems, to amputate one of the loss-producing subsidiaries of the United Cigar Stores Co. of America in the bankruptcy court promise to provoke interesting controversies and bring decision on important corporate questions before the results of the operation and condition of the patient can finally be announced.

The United Stores Realty Corp. for which Irving Trust Co. has just been made receiver in bankruptcy was organized back in 1905, by George Whelan. Since then, the subsidiary has negotiated leases and held fee title to hundreds of valuable properties in various cities of the United States. In 1929 the parent reported that $13,970,000 or over 14% of its total gross income of $98,649,000 represented rents received. This item shrank but slightly in 1930 and for the year 1931 was still well above $13 millions.

But somehow the subsidiary now petitioned into bankruptcy has not fared as well as the statement of its parent indicates. Available statistics do not show the causes for this inconsistency. Of course, the much younger Cigar Stores Realty Holdings, Inc. entered the scene a few years back, and, like most younger children, evidently got some of the best breaks. The magnitude of its operations was reflected at the end of 1930 in $8½ millions of debentures and $18 millions of real estate mortgages on various properties, mainly leased until the year 2028 to the parent company.

Real Estate Losses

A statement ascribes United Realty's difficulties to the decline in real estate values since 1929 which has wiped out its equities in various properties. Among its listed liabilities, the largest is an item of $7,900,000 owed the parent company for advances made at various times, besides numerous amounts representing deposits received from tenants under lease. The assets are stated at $1½ millions, represented partially by equities in real estate, with a total of approximately $5 millions in mortgages to which the company is a party.

The statement also emphasizes the fact that the parent company expects to benefit through the elimination of

"some of the losses incurred through the making of advances to the Realty Corp."

But holders of mortgages and of leases, accepted by them from the Realty Corp. because they knew that it was the operating unit for "United Cigar," wonder if an intricate corporate entity can thus divest itself of unprofitable properties or loss-producing locations by the expedient of forcing its wholly-controlled subsidiary into bankruptcy.

They point out that their transactions were basically with the parent United Cigar Stores Co.; they believe the parent company can be held responsible.

It's a Wise Child

Up to a few years ago it would have been comparatively easy to recognize the parent that created United Realty Corp. Current records, however, show a somewhat confusing situation. Realty Corp. is controlled by the United Cigar Stores Co. of America which, in turn, is controlled by Tobacco Products Corp. which, in turn, is controlled by the 3-year old United Stores Corp.

Property owners, lessees or lessors who are party to deeds, mortgages, or leases made with the subsidiary are scattered over a large territory. The United Cigar Stores Co. is operating about 900 cigar stores, 200 drug stores and 2,000 agencies, in 40 states.

Hatching New Subsidiaries

United Cigar Stores Co. of America is organizing separate companies in all the states where it now operates. Charters for companies of the same or a similar name have already been granted in 10 states and are expected to be secured in each of the 40-odd states where the company now has stores or property, according to one of the officials of the company. Greater efficiency in operation and improved performance of individual units is to be achieved through the split-up which in effect will resemble that carried out by the Standard Oil Co. under court decree, while incidentally some advantages in tax levies are expected to materialize.

Motor Makers Consider The Model T Market

FORD, getting into volume production sooner than anticipated, is forcing competitors into action.

Hudson announces a new line of Essex cars to be known as the standard series, similar to the present Essex models, but minus gadgets. Plymouth already has its "thrift" models on the market.

Three other bids for business in and under the Ford class will be made by midsummer, two by companies already competitive with Ford, the third by a maker in the price class just above Ford. In each case, the car will be offered primarily as "cheap transportation" with most of the recent conveniences—automatic starter, choke, clutch control, etc.—omitted.

These makers, obviously, are aiming at a new market underneath even the present low-priced field. Today, not even Ford himself is offering economical transportation in the sense that Model T was cheap to buy and cheap to operate. It is this minimum market, many automobile men believe, which offers the maximum sales potential in times like these.

Ford's output is now 3,500 a day of which 1,400 are V8's. The June schedule calls for 4,500 a day. Ford intends to build 500,000 cars as soon as possible.

Makers in the medium-price class are preparing to pare down production, in some cases suspend operations, in the late summer because of failure to reach sales quotas set early in the year. Under normal conditions they might offer new models in midsummer as a sales energizer. This year they shot their sales ammunition in the beginning, and have virtually nothing new to present now. Moreover, sales would not be increased enough to justify the cost of tooling up.

Some companies in this field actually make cars only on orders from dealers, as retail sales are made. This is a costly way to operate a factory, but under present conditions losses are less than if operations fluctuated violently.

Congress Warned Not to De-Nye Anti-Trust Law Responsibility

Trade Commission's counsel says passing the buck to that body will only increase the confusion

ROBERT E. HEALY, chief counsel of the Federal Trade Commission, has traversed a legal machine gun over the Nye bills. His letter to Chairman Norris informing the Senate Judiciary Committee that legalizing trade practice conference agreements would open wide the door to circumvention of the anti-trust laws doesn't improve their prospect for favorable consideration, although they have received practically unanimous support from the trade associations and although many of his objections have been met in proposed amendments.

Wants Honest Label

"If Congress is minded to repeal or amend the anti-trust laws, it should do so itself," says the judge between bursts. "Congress should not delegate such legislative authority to the commission, and the amendment or repeal should be correctly labeled for what it is. Even one who favors amendment or repeal of the anti-trust laws cannot safely vote for this statute."

Referring to the provision empowering the commission to countenance any agreement for establishment or discontinuance of any business practice which, in its judgment, tends to promote the public interest and the use of fair methods of competition, Judge Healy contended that the commission could permit agreements fixing prices, limiting production, maintaining resale prices, and doing anything which is now recognized as violating the anti-trust laws, as its approval would not hinge on whether they promote observance of existing law.

See Loss of Standards

And, pointing out that there is absolutely no provision for review of a finding by the commission that the rules proposed by an industry will *not* unreasonably restrain trade or tend to create a monopoly, he added that, no matter what mistakes the commission may make or what violations of existing laws it may unwittingly promote, its approval is conclusive evidence. Fixed standards would be lost, he argued, as changes in personnel or policy of the commission would be sure to cause the character of agreements approved to fluctuate from year to year.

Because no one could veto the commission's approval of any agreement, the provision that all existing laws inconsistent with or repugnant to the new law are suspended or repealed is con-

strued by Judge Healy as sealing the authority of the commission to suspend or repeal the anti-trust laws. And he thinks that legislative power cannot be constitutionally or wisely delegated.

His opinion refers to a practically forgotten section of the Federal Trade Commission's organic law which, he suggests, would "go a long way towards removing some of the complaints that are made regarding the alleged uncertainties of the anti-trust laws." This section empowers the commission, upon request of the Attorney-General, to investigate and make recommendations for the readjustment of the business of any corporation alleged to be violating the anti-trust laws in order to bring its organization, management, or conduct of its business into conformity with the law. Only twice since the commission was created in 1914 has this section been applied. Judge Healy advocates more extensive use of this provision, with an amendment that would permit the commission to proceed on its own motion or upon the application of any corporation which is apprehensive that its operations may transgress the anti-trust laws.

So far as the trade practice conference procedure is concerned, he says that if there is any doubt about the commission's right to hold conferences for the purpose of preventing unfair methods of competition, it can be removed by a simple amendment providing that the commission or its members may meet in conference with the representatives of any industry for the purpose of securing obedience to and observance of the laws.

Dairymen Analyze Their Troubles, Plan Solutions

DAIRYMEN have a long list of depression-born difficulties, but believe they are making some progress toward solving them.

They have seen wholesale prices decline faster than retail—as with most commodities.

Declining retail prices might conceivably bring some compensation by stimulating consumption of butter, cheese, and milk. Declining wholesale prices are net loss.

Buyers More Exacting

Butter prices have fallen faster than milk prices. Buyers grow steadily more exacting, demanding higher quality at lower prices. Since transportation and selling costs are relatively rigid, the percentage of the producer's dollar thus absorbed rises steadily. And as the percentage of transportation cost rises, it becomes unprofitable to ship surplus milk.

On the border, cheap Canadian exchange has virtually wiped out tariff protection on dairy products. Moreover, there is no tariff on cows, and dairymen have been increasing their herds—and consequently the surplus milk supply—by purchasing $100 Canadian cows for 78 American dollars.

Dr. C. G. McBride of Ohio State University believes dairymen of his state are leading the way toward intelligent solutions. They have been able to persuade chain stores to cooperate against senseless price wars among themselves, and with wagon retailers. They are trying to reason with unorganized farmers, recently become dairymen because milk still seems to bring better prices than grain and hogs.

Unorganized farmers find outlets among a new crop of dealers, who are crowding in, attracted by what looks like a good spread between wholesale and retail prices. One remedy here, also, is better organization of producers. Another is to persuade established dealers to keep their margins down, so as to discourage new competitors. Orderly readjustment of prices seems to prevent price wars; sudden breaks seem to precipitate them, as in Buffalo.

Cooperatives are trying to persuade their own members to cease increasing herds; the public obviously is unable to purchase all the milk now available.

The Canadian problem probably will correct itself, either by rising exchange, or by rising Canadian prices for cows. Some progress is possible toward manufacturing milk products at country points, as the answer to high shipping rates on fluid milk.

Sears Is Cutting Into Farm Implement Field

DEEP price cuts and easier payment terms have stimulated the farm implement business of Sears, Roebuck & Co. to a point where 24-hour daily operation of plants is necessary to fill orders. Huge rivals of the mail-order house, their production at low ebb, must decide whether business obtained in this way is worth what it costs. Some of the Sears quotations barely cover labor and materials. Formerly Sears' volume was not large enough seriously to annoy the big implement makers. Increase in this company's sales during a year of generally declining demand swells its percentage to a threatening total.

Wily in the ways of merchandising, Sears is capitalizing the farmers' kick against implement prices. Dollar losses will be offset by goodwill gains. Reductions commemorate the 100th anniversary of the David Bradley factory, a Sears implement plant. Time payments on sales to $25 require a carrying charge of $2.50, a $4 down deposit, monthly instalments of $4. On sales of $400 or more, the carrying charge is $36, down payment $37.50, followed by 18 equal monthly instalments.

State Can Tax Power Even If It's Exported

THE right of a state to tax electric power generated within its borders, even though it may be exported across state boundaries and sold in another commonwealth, has been established by a decision of the United States Supreme Court sustaining the State of Idaho against a suit brought by the Utah Power & Light Co.

To the plea of the appellant that generation and transmission of electric energy are identical, therefore that taxation of such energy shipped outside the state is restriction of interstate commerce, the court held that, while conversion and transmission are substantially instantaneous, they are essentially separable and distinct operations. In one the energy of falling water is converted into something else; in the second, that something else is transmitted to customers.

Idaho is one of 3 states that have recently adopted a ½-mill per kilowatt-hour tax on energy generated. Vermont and South Carolina are the other 2 (*BW—Jun3'31*). In Vermont the law has not been contested. In South Carolina, 3 companies—South Carolina Power, Broad River Power, and Lexington Water Power—challenged the act, lost in the state courts, and were refused a hearing in the Supreme Court because of the form of their appeal. It is likely that this action will be dropped.

Engineers' Council Plans 3-Year Business Stabilization Study

THE American Engineering Council is launching a tremendous research project which undertakes no less a task than to provide a prescription for the economic and social ills of the country. After more than a year of study of the relation of consumption, production, and distribution, a distinguished committee offers a definite program embracing 9 separate projects.

The projects are: (1) the place of public works—federal, state, county, and municipal—in a balanced national economy; (2) influence on domestic economy of international credit and trade and of foreign ownership and control of industries; (3) investigation of banking, investment credit, and corporate financial policies; (4) balancing man-power against demands of production and distribution; development of governmental employment agencies for broad services; shortening of working hours; (5) coordination of agriculture and industry, particularly in research, in operations, and in prices; (6) conservation of natural resources; regulation of mineral extraction, lumbering, forestation, development of land, and use of water; policies for control of importation and exportation of mineral and forest products; (7) waste and inefficiencies in marketing; (8) critical comparison of regulated and unregulated industries; (9) a long-time study directed to stabilization of money; character and control of currency.

Fundamental Beliefs

This comprehensive program is premised on the following beliefs of the committee and its advisors: That it is desirable to provide for an increasing scale of living which is broadly distributed and free from severe fluctuations; that this objective is physically possible for the whole of western civilization; that it can be realized to a very large degree in the United States.

To gain such an objective, the committee believes, requires a more exhaustive study of factors involved than has ever been undertaken, and their integration, properly weighted, into a comprehensive picture of economic and social conditions upon which precise and effective plans for obtaining the desired balance can be laid. The Council offers its services, in cooperation with all other interested groups, to make such a study. Not all the work need be done by the Council. Investigation of marketing may be left to the Department of Commerce and other research groups in this field. The man-power assay may be turned over to the Department of Labor to carry through along the lines outlined in the report of the Prosser Committee on Technological Unemployment (*BW—Jan13'32*).

The direct activities of the Council are expected to give priority to: (1) a canvass of all present research; (2) public works administration; (3) banking, investment credit, and corporate financial policies; (4) the international balance sheet.

$500,000 Eventually Needed

Extent of work to be undertaken at once depends upon the funds which are made available. The complete budget calls for an expenditure of $500,000 over a 3-year period. If less than the full amount is obtained, funds will be used to push the most important assays.

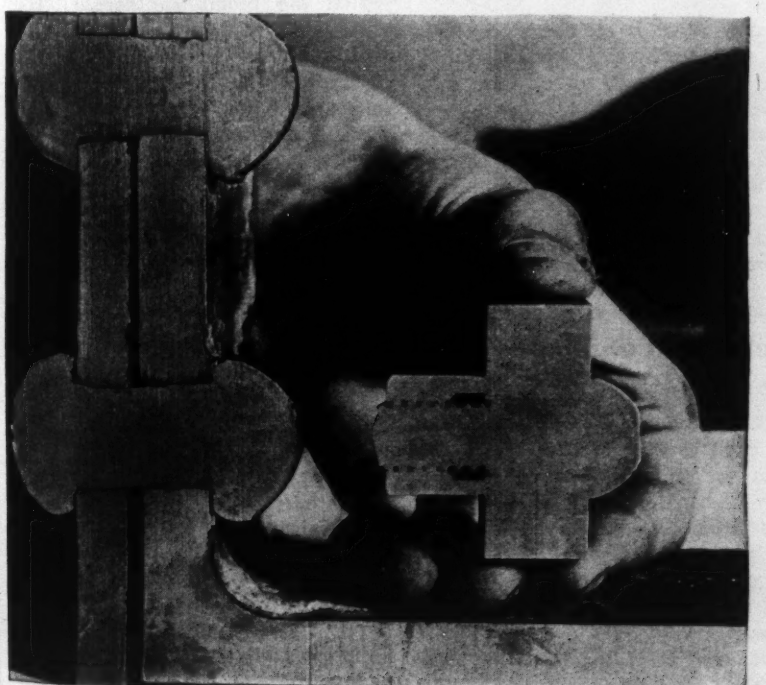
In a progress report of its year of study presented to and approved by the Council, the committee made a thorough and thought-provoking analysis of current conditions. Members are: Ralph E. Flanders, L. P. Alford, F. J. Chesterman, Dexter S. Kimball, and L. W. Wallace.

These few excerpts convey an idea of the direction of the committee's thought: "The committee cannot concur in the opinion that general over-production is the primary cause of the business depression; the real difficulty is lack of balance between production, purchasing power, and consumption. . . Instalment selling does not appear to have been a primary cause of the depression but it undoubtedly prolonged the unstable balance of the boom and has hindered the processes of recovery. . .

Tentative Prophecies

"The most satisfactory understanding of the business cycle will come from a study of the lack of balance between production and purchasing power; the typical cycle is characterized by a lack of balance between the two. . . It is possible that this country is sufficiently equipped with railways, steamships, factories, and mines to meet all reasonable needs for years to come. . . It is unlikely that the past rate of acceleration of investment in mechanical equipment can continue indefinitely.

"Taxation may be used to balance the rate of savings against the rate of investment. . . If, when employment has



Halbran

STRENGTH WITH SILENCE—*The slice of steelwork on the left exposes the poor fit of the hot-rivet system. Right, the closer joint possible with the expanding bolt and lock unit, tapped home with a hand hammer*

reached a certain low point, a policy were followed of borrowing to extend public works, this action would have a quick remedial effect upon the business situation.

"A careful scrutiny of the international balance sheet indicates that any further extension of foreign loans at this time is unwarranted. . . It is probable that the world is in full movement on a secular decline in prices, with minor short-lived upturns only in prospect."

New Design, Not Cost, Goal of Research Today

INDUSTRIAL research is being carried on with unaccustomed vigor by concerns which hope to develop new products or so improve old ones that they can make a break in the dam of consumer buying opposition. The National Research Council reports 70% of the companies it studied spent as much, or more, on research during 1931 as in 1929. Emphasis is on product design rather than on lower production costs, the chief research goal in 1929.

It seems contradictory that in 1930 the U. S. Patent Office received 94,030 applications for patents—biggest year since the office was established—while in 1931 the number dropped 10,000. It seems likely that companies which extended their research activities in 1931 applied for patents freely, that the unexpected decline in patent applications is largely due to falling off of applications by individuals. Independent inventors, workmen without jobs or on part-time, had leisure in 1930 to perfect their ideas and spare cash to finance patent applications. In 1931 the cash had disappeared, and applications could not be financed.

At the International Patent Exposition in New York, 5,000 inventions, good and bad, none in commercial use, are on display.

New Plumbing Fixtures Product of Research

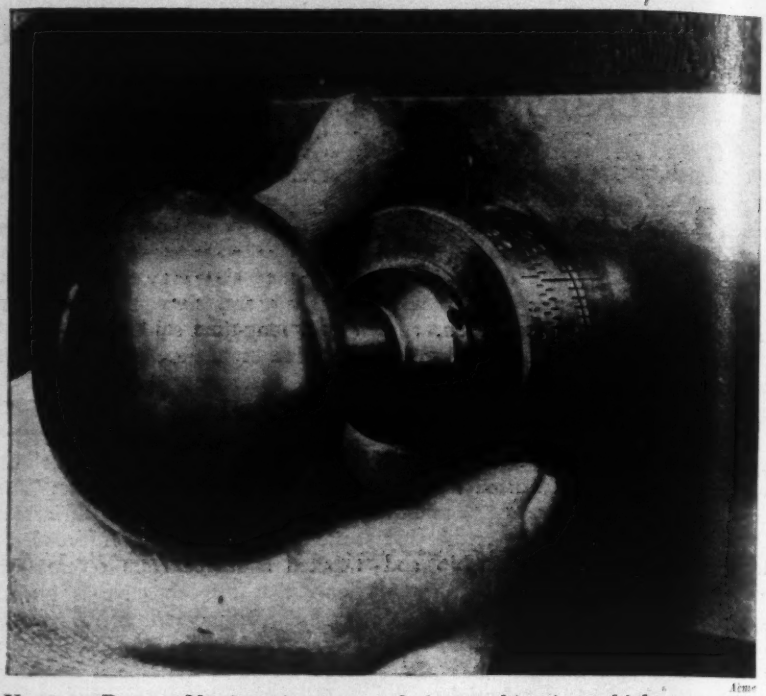
LARGE manufacturers of plumbing equipment have been improving their products, hoping new things will coax dollars their way, hoping also to be ready for any upturn in residential construction.

Lavatories, 1932 model, have larger slab space, for the interesting reason that women prefer to apply face powder and cosmetics at the wash stand rather than at the dressing table. Men also like the broad space for shaving accessories.

New kitchen sinks boast ledges on which handy articles may be kept and faucets elevated, out of the way of dishes.

A new closet is all one piece, both tank and bowl, and stands entirely clear of the wall, completely self-supported.

Studies by the National Association of Master Plumbers have developed new data on possible water contamination from cross-connection with waste outlets in old types of work. New designs take account of this research.



Acme

KEYLESS DOOR—*Moving rings control the combination which opens this lock, one of the exhibits at this year's New York Patent Exposition*

Steel Lays Foundations For Mass Housing

HOME construction must be adapted to mass production if it is to be successful in the stimulation of general industry. The American Institute of Steel Construction added its potent endorsement to this opinion at a 2-day discussion of trends and prospects in the small housing field held in New York this week.

Just how the adaptation can be made and what reaction awaits the "mass house" which, necessarily, must forego much of the individuality that distinguishes current house design—are still unknowns in the institute's formula for reconstruction via construction. A committee will review suggestions made at the meeting, recommend ideas that seem to promise most profit from further study.

That the profits are highly worth while was indicated by the estimate of Lee H. Miller, chief engineer of the institute, that 600,000 new housing units are needed each year to replace obsolete dwellings and take care of population increases. The steel industry is alert to the opportunities. J. C. Shields, Carnegie Steel Co., reported 56 new systems of construction contemplating the use of steel in some form.

Large attendance at the meeting was convincing proof of general interest.

Ludington Aims To Catch 'Em Young

To encourage air travel, make young people air-minded, the Ludington Line is offering this month a special half-rate fare on its 4 morning planes from Newark to Washington.

The "special student tickets" cost $5, are good for any seat not taken immediately before the plane's departure for Washington. At this price, air travel is 10% cheaper than in a railroad day-coach.

Federal Truck Control May Seem Lesser Evil

THIS week's decisions by the U. S. Supreme Court upholding the Texas and Kansas truck laws pack such a terrific wallop that truck manufacturers and operators may decide that federal regulation is the lesser of two evils. So far they have strenuously resisted federal legislation, claiming that the states are competent to handle the problem and hoping, perhaps, that drastic state laws would fall by the wayside as they came into the courts.

The provisions of the Texas law, however, are more stringent than any bill that is likely to get through Congress, and other states, prompted by the sweeping decisions of the Supreme Court, probably will follow suit. It is doubtful whether the National Automobile Chamber of Commerce will be able to stem the tide.

Kansas truckers lost an argument on the constitutionality of a state license tax on all trucks exempting only private carriers operating within a radius of 25 miles of the home garage. Texas highway operators have been silenced by a Supreme Court ruling against their protest of a load-limit statute that exempts trucks carrying their loads to the nearest railroad.

Both decisions invoke the state's right to protect the railroad from "privileged" competition. In the Kansas case Chief Justice Hughes defended a tax on commercial truckers to support highways which "have became the roadbeds of great transportation companies which are actively and seriously competing with railroads which provide their own roadbeds." Answering the Texan's contention that the load limitation favored railroads, the court noted that the state "has a vital interest" in the appropriate utilization of the railroads as well as in the proper maintenance of its highways. It added that if the legislature's motive was to protect the railroads there was still no constitutional ground for denying its "right to foster a fair distribution of traffic to the end that all necessary facilities should be maintained."

Bus Wars Started By Small Fellows

A HOT price-war is going on among bus lines operating between New York and Boston, also along several routes in the West.

In both cases the rate cuts have been precipitated by the small fellow's bid for business.

The New York–Boston war broke out at the end of April, when one of the small lines reduced the established fare of $4 to $2.50. The other operators, including Greyhound, New England Transportation, and Dixie Short Line, met the cut immediately. Soon after, the price was slashed to $2, and at least one of the small lines is now providing transportation between the 2 cities for $1.50.

The bus rate between Chicago and St. Louis now is $4 on the so-called legitimate lines, compared to the former $4.75, while the other lines have the fares as low as $2.75.

Between St. Louis and Kansas City, the standard one-way fare of $9 has been slashed to $3.25 a round trip; between St. Louis and Memphis, from $7 to $3 one way and $5 a round trip.

Obviously, there are no profits at these rates.

Lackawanna Enters The Insurance Field

TO promote carefree travel, the Delaware, Lackawanna & Western has recently inaugurated a plan whereby passengers can insure their baggage and personal effects at ticket offices.

The insurance covers all risks in transit, in any hotel or other building en route during the journey, except while the articles are being worn or carried on the person. Automobiles, money, securities, tickets and valuable documents are excluded. Rate is 5¢ a day per $100 insurance, with a minimum charge of 25¢.

This type of insurance has long been common on European railroads. Lackawanna is the first to adopt it.

Pennsylvania Expands Car-Cooling Program

IN line with the preparations for summer travel made by other railroads, the Pennsylvania is planning an extensive system of cooling sleepers and diners.

The program includes the installation of refrigerating equipment in the principal terminals to lower the temperature of sleeping cars before departure, also the inauguration of continuous cooling and air-conditioning apparatus on 38 dining-cars.

When completed at the end of May, air-cooled diners will be in service on all the Pennsylvania's limited trains.

Shadow of Government Ownership Hangs Over Rail Legislation

Rayburn calls it the alternative to recapture repeal; Beck sees it behind holding company regulation

GOVERNMENT ownership of the railroads is being freely bandied about by proponents and opponents of the rail legislation that has been framed by the House Committee on Interstate Commerce.

Advocating retroactive repeal of recapture by the government of a nebulous $360 millions of excess earnings, Chairman Rayburn declares that, unless this cloud is lifted from their credit, the railroads will go into receivership, thence into government ownership.

"A Short Step"

Opposed to regulation of rail-holding companies, Representative Beck contends that it is only a short step to government ownership from empowering the Interstate Commerce Commission, "already drunk with power," to decide who may own railroad securities.

The 2 proposals—on recapture and holding companies—were recently combined in one bill, on the theory that the pleasure with which many Congressmen would vote to curb the rail holding companies, would carry through the provision for retroactive repeal of recapture. They are now separated again, in the hope that Congress will act at this session on at least one of them, if not on both.

Representative Beck has gained some ground in his opposition to extending the Interstate Commerce Commission's power over rail holding companies. Meanwhile, Chairman Rayburn, in view of the opposition shown, has introduced a new bill as a possible alternative to retroactive repeal of recapture. Under it, the railroads' liability would be determined by computing recapture, not

on the earnings for one year as is now the practice, but on the average of earnings since 1920.

Although the effect of this proposal would not be as far-reaching as a complete repeal, it would be helpful. By taking an average of earnings through 1930, the I.C.C.'s recapture estimate would be reduced from $360 millions to $237 millions; and, if 1931 and 1932 were included in the computation, as proposed, most of the railroads would be stricken off the recapture list entirely.

This alternative would serve, moreover, to reconcile the objection advanced by Representative Hoch and others that retroactive repeal of recapture would not be fair to the public inasmuch as the rate-making rule under which this money was collected from shippers could not be similarly repealed.

The only point in the rail legislative program that has not been challenged is the flexible rule of rate-making, proposed in place of the present theory of a standard return on valuation (*BW—Apr20'32*).

Plan Moving Sidewalks To Speed Rapid Transit

A NEW plan of rapid transit, designed to solve traffic congestion in metropolitan centers and to perform more economical and efficient service than present subway and elevated systems, has been announced by the Westinghouse Electric & Manufacturing Co., after several years of study by its engineers.

The new system—called the Biway—is a development of the "moving sidewalk" or conveyor idea. Its features are a continuous stationary platform entirely around the loop served by the underground system and, parallel to it, 2 moving platforms or trains—one local, the other express.

As contemplated by the designers, the local platform will stop to pick up passengers from the stationary platform every 50 seconds. The express will never stop, but passengers will be able to transfer between the local and express at 50-second intervals, when both are moving at the rate of 17 miles an hour. Operation of the entire system is to be so timed that the stopping and transfer intervals will be automatic. Electric signs will tell passengers where they are and when to transfer. Protecting gates, gong signals, and other devices will eliminate all chance of accident. Noise will be greatly reduced by the installation of stationary driving motors beneath the tracks at intervals of 1,000 ft., and in other ways.

Entrances from the street to the Biway will be at intervals of 100 yards or less and from practically every building along the route. The plan also contemplates a continuous arcade of shops along the entire underground system.

Besides eliminating overcrowding at stations, speeding up service, and increasing the value of property beneath city sidewalks, it is claimed that the new system will provide a seating capacity nearly 4 times that of the Interborough Seventh Avenue subway in New York, and that its construction, operating, and maintenance costs will be only about 80% those of the Interborough subway.

Fat Expense Accounts May Force Canadian Railway Resignations

OTTAWA (*Special Correspondence*)—These are bad times for "good things." Parliamentary investigation of the high salaries, extra emoluments, and fat expense accounts of Canadian National Railway executives means the end of many good things, including—inevitably—the presidency and general managership now occupied so expensively by Sir Henry Thornton. Sir Henry has stood up to the attack, showing no disposition to quit under fire. With the investigation, it is expected he will seek to withdraw on the ground that his usefulness to the railway has been impaired through the undermining of public confidence in his management. Should he offer his resignation now, it would be accepted.

A factor in the situation, however, is the royal commission, including President Loree of the Delaware & Hudson and Lord Ashfield of the London Underground, which for the last 6 months has been seeking a solution of the Canadian railway problem. The commission has nearly completed its work, will present its report in a few weeks. Its recommendations may afford Sir Henry a still better excuse for resigning.

Employed in 1922

Thornton came to the employ of the Canadian government in 1922 at a salary of $50,000 as managing head of the roads which became the Canadian National. In 1929 he was given a new 5-year contract as from October, 1928, at a salary of $75,000 and "reasonable out-of-pocket expenses," such salary to pay for his entire services, "irrespective of the magnitude or extent of the work or duties to be performed from time to time and without any extra fees or remuneration of any description."

In substance, however, his income was double that. Besides the $75,000 contract salary, there were three $5,000 salaries as president of Central Vermont, Grand Trunk Western, and Ontario Car Ferry, subsidiaries of the Canadian National; between $20,000 and $30,000 out-of-pocket expenses; $15,000 "special" expenses for which he was not required to render any account; and $18,000 for rental and taxes for his official residence in Montreal.

Free House Conspicuous

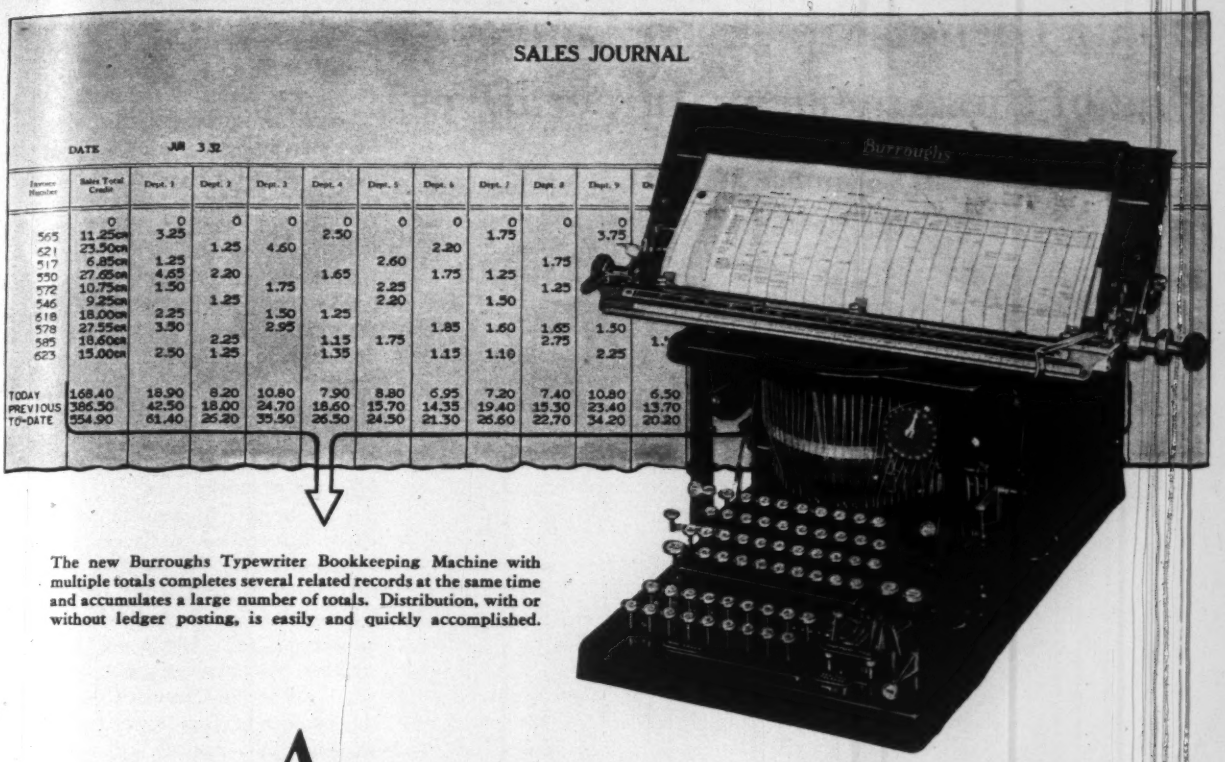
The free house more than anything else attracted public attention. Sir Henry justified it on the plea that he had refused a bonus of $100,000 in 1928 in recognition of improvement in the condition of the system, although a similar bonus had been paid by a private railway.

Another disclosure which aroused Canadians was a $2-million item for expenses of railway officials in 1930, which included club dues and entertaining. Under the new board of directors, appointed after the change of government in 1930, this was cut by $30,000 in 1931 and will be further reduced by $70,000 this year. The new directors also cancelled 2 of Thornton's subsidiary salaries and a provision for an annual pension of $30,000 when he should leave the railway.

When Sir Henry told the parliamentary committee a few days ago that joint management of Canadian National–Canadian Pacific might save $50 millions a year, some thought he was seeing certain writing on the wall.

Joker in Contract

But there may be a little joker in Sir Henry's contract which would serve him, should he choose to hold the government to it. The contract provides for termination "effective on the 3rd day of October in any year after the 3rd day of October, 1933" upon 12 months' notice. According to this, notice of termination could not be effective until October, 1934.



The new Burroughs Typewriter Bookkeeping Machine with multiple totals completes several related records at the same time and accumulates a large number of totals. Distribution, with or without ledger posting, is easily and quickly accomplished.

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Consider the many jobs in your own business for this new Burroughs Typewriter Bookkeeping Machine which lists items for each of many classifications either in one column or in separate columns . . . automatically accumulates and prints a total of each classification as well as a grand total of all classifications . . . and does this work, if desired, while posting several other related records in the same operation.

These and other special Burroughs features—many of them automatic—make this new Burroughs exceptionally fast, simple, and easy to operate. Its wide range of usefulness makes it an unusually economical investment for any line of business.

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Home Ownership Is No Longer One of the American Imperatives

6. The American Consumer Market —A Study by The Business Week

IN America, as in England, a man's home is his castle, whether it be a kitchenette apartment, a palatial country estate, or a dismal dwelling in the rotting slums that disgrace our metropolitan and some of our rural areas; and the average American spends a lot of money on it—more than for any other item except food. In the years from 1919 to 1930 the average expenditure per family for everything connected with the home, its equipment and operation was $574 a year, and the total outlay on all these American castles in the peak year 1929 was over $18⅓ billions, an increase of almost 50% over what it was in 1919.

In spite of the enormous amount spent on them these castles are to an increasing extent caravansaries that are rented and supply temporary stopping places for the restless pilgrims of prosperity. As Chart I shows, so far as can be gathered from the census figures, the number of dwellings has increased about as fast as the number of families; but it must be remembered that the census definition of dwelling covers any thing in which humans live, from a houseboat or barge to a tent. The "statistical family" is also a snare and delusion, especially for students of marketing problems. Although further analysis in this field is necessary, it is probable that the number of dwellings is considerably less than is indicated in this chart, and that the number of families has tended to increase more rapidly than the number of dwellings.

Home-Renters Multiply

More significant are the facts about home ownership shown in the chart. The number of families living in their own homes has decreased fairly steadily and rapidly since 1923, while the number living in rented homes has risen until the relative proportion of home-owners and home-renters has been reversed, and the renters are now about 50% more numerous than the owners.

The value of leased residential property, however, has been greater than that of owned property throughout this period, and has been relatively increasing. In 1919 approximately 55% of the value of all residential property was leased and 45% owned; in 1930, 60.3% leased and 39.7% owned.

So far as can be estimated, the number moving each year is about one family out of five, and has increased at about the same rate as the number of families and dwellings. The number of families having water supply other than from wells and springs and rain barrels has increased at about the same rate as the total number of families and dwellings, except during the period of residential building boom, but water is still not a universally available utility. The number of domestic customers for the other utilities has increased more rapidly, for electricity most of all, but the rate of increase in domestic use of electricity has tended to slacken somewhat in recent years. The number of domestic servants, as well as the amount spent for their services, seems to depend upon prosperity and depression, but it is striking that between 1920 and 1930, according to the Census of Occupations, the number of laundresses has declined sharply, the number of nursemaids, janitors, and gardeners increased greatly.

A Study of Budgets

Table I shows in summary form the figures for the main types of individual consumer expenditure for all goods and services related to the American home for the years from 1919 to 1930. Space prevents the publication here of the individual items which make up these classifications or the mass of detailed computations by which the estimates were constructed.

In the table, "Structure and Grounds" includes individual investment in equity in new residential buildings for ownership use, and in landscaping and shrubbery. The *total* value or cost of ownership dwellings bought by individuals for their own use is not considered an individual consumer expenditure; only the equity paid out by the purchaser is counted; the remainder represents credit advanced by mortgage holders or security buyers, and so far as these loans are made by other individuals they are included in savings.

More Heavy Outlays

"Furnishings and Equipment" includes heating, lighting, outdoor laundry, cleaning and cooking equipment, sewing machines, tools, utensils, kitchen accessories, and furniture, carpets, draperies, linen, bedding, etc.—120 items in all. "Fixed Charges" includes rent on leased homes (including hotel accommodations); interest, taxes, assessments, repairs and insurance paid by

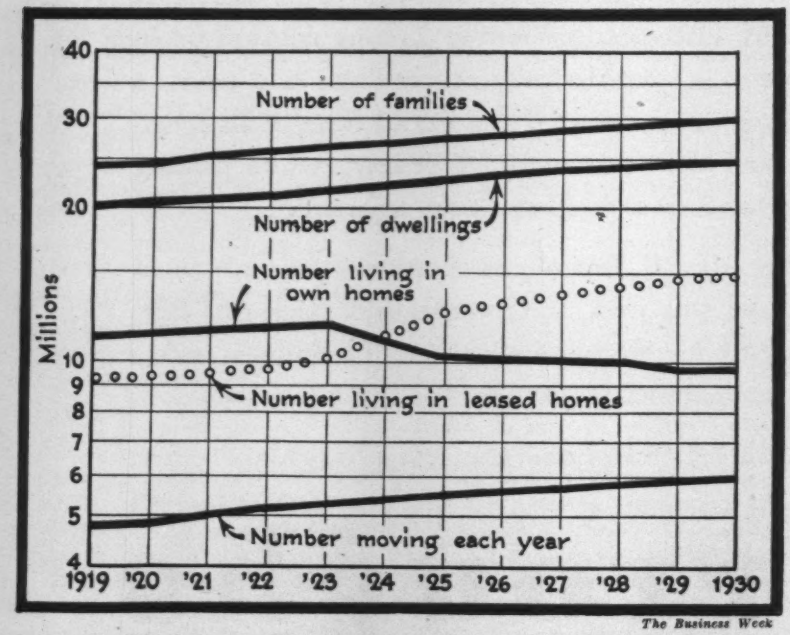


CHART I: WE BECOME TENANTS—*1923 began a new era in American housing. Since then, home owners have decreased not only in percentage of total families, but in actual number*

"It's the unexpected that happens"

© 1932 M. L. I. CO.

Metropolitan Life's contracts afford a means to

—create estates and incomes for families

—pay off mortgages

—educate children

—provide income in the event of retirement

—establish business credits

—stabilize business organizations by indemnifying them against the loss of key-men

—provide group protection for employees covering accident, sickness, old age and death

—provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

IT may surprise you to know that about half of all accidents are happening to people carefully secluded within four walls or in their own yards or gardens, perfectly sure they are in no danger.

But it is also true that during vacation periods, when in unfamiliar surroundings, the hazard of accident increases. Sports and games cause about one-fifth of all accidents.

There is more chance that you will injure yourself by falling, or bumping into objects than that you will be hurt while traveling in trains, ships or automobiles.

One person in every eight is killed or injured by accident each year in the United States and Canada, more than 14,000,000 in all—a far greater total than the number killed or wounded in any war of the United States.

Not only is the man who is temporarily disabled by accident usually unable to earn money while he is recovering, but it always costs money to take care of him. Fortunately, protection against such hazards is well within the reach of almost every worker.

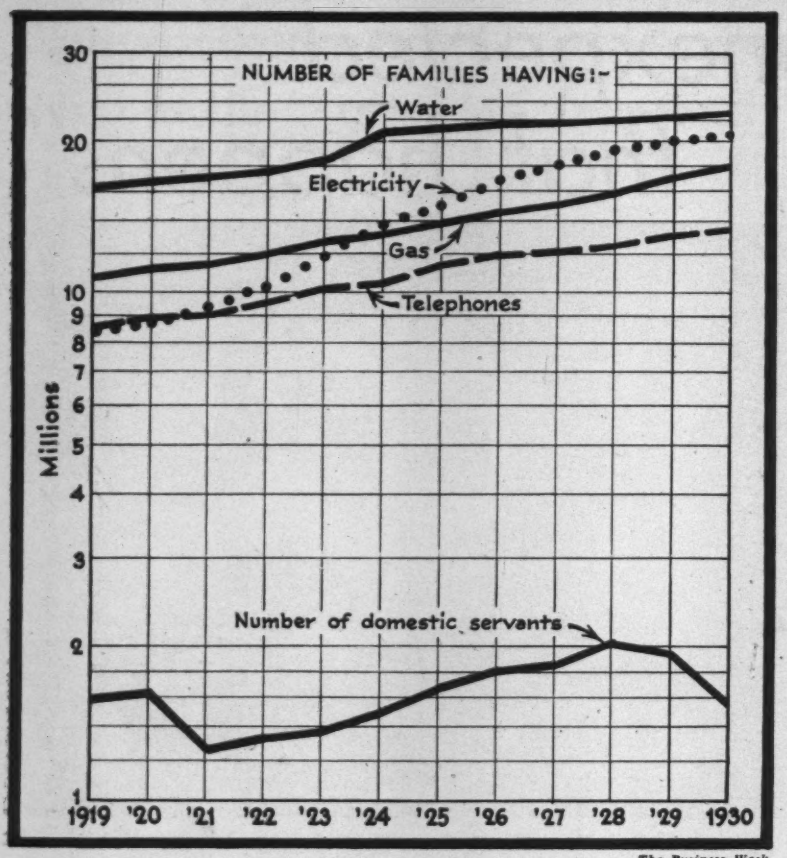
While building your program of financial independence, take out the "if" which might wreck the best made plans. Protect your program against *accidental* interruption.

Get from a Metropolitan Field-Man details concerning weekly payments made to cover various forms of disability. The Metropolitan will be glad to mail you, free of charge, its booklet "Accident Prevention" telling how and where the majority of accidents occur and the best precautions against them.

Regarding Life Insurance in any amount, consult a Metropolitan Field-Man or write to

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT · · · ONE MADISON AVE., NEW YORK, N. Y.



The Business Week

CHART II: "ALL MODERN CONVENIENCES"—*Of 30 million families, 22.5 millions have water main connections; 20 millions, electricity; 17.5 millions gas; 13 millions, telephones. Once—in 1928—there were 2 million domestic servants; in 1930, there were 500,000 fewer, a drop of 25%*

individuals on their own homes. "Operating Expenditures" includes domestic servants, fuel bought by individuals for their own use, electricity, water, telephones, ice, miscellaneous and cleaning supplies, laundry done outside the home, storage and moving expenses.

The outstanding fact shown in these figures is the relative insignificance of individual investment in the home itself as compared with the outlay for furnishings and equipment or with that for fixed charges and operating expenses. The latter two classes of outlay account for about three-quarters of the total home expenditure and have risen rather rapidly over this period. Including furnishings and equipment with investment in structure and grounds, only about a quarter of the total expenditure of individuals goes into the domestic plant itself, and it takes about 75¢ of the housing dollar to minister to the *lares* and *penates*.

Thus housing is today primarily a service industry; it is concerned with supplying the necessary services and conveniences of living in homes rather than the houses themselves or their equipment. In most years more is spent by individuals for rent than for all the houses and domestic equipment they buy. The total operating expenses, including fixed charges, of American homes as a whole amounted in 1929 to more than twice the gross revenues of all railroads, and were more than the total expenditures of federal, state, and local governments.

The sociological significance of this may be interpreted in many ways, but it is chiefly a reflection of the mobility of the American population, and the relative decline of the home-ownership instinct or opportunity. Including apartments, hotels, and speculative housing developments in which houses are sold practically on a rental basis with a negligible equity, or paid for on an instalment plan which corresponds to rent, about $17 billions were spent or invested in residential building in the United States from 1919 through 1930, as compared with $6.8 billions on dwellings built for owners.

Newspaper Advertising Shrinks 11% in Year

NEWSPAPERS, which seem to be weathering depression better than most business enterprises, nevertheless took a shrinkage of about 11% in revenues from national advertisers in 1931, according to a survey just made public. Figures for local advertising were not given.

Total for national advertisers in 1931 was $205 millions; for 1930, $230 millions. Automobile, tire, and radio manufacturers accounted for $17 millions of the decrease. There were 436 companies that spent $50,000 or more each in 1931; 470 in 1930.

In 34 cities where newspaper lineage was kept up to 1930 levels, business was better by 8.3% than the country's average. Either business was better because there was advertising, or there was advertising done in these cities because there was business to be had in them. Or a little of both.

Table 1: Total Housing Expenditures of Individual Consumers
(Millions of Dollars)

	1919	*1920*	*1921*	*1922*	*1923*	*1924*	*1925*	*1926*	*1927*	*1928*	*1929*	*1930*
Structure and Grounds	129	101	129	143	195	236	323	311	349	411	348	293
Furnishings and Equipment	2,983	3,374	2,782	3,308	3,903	3,824	4,138	4,237	4,187	4,279	4,514	3,796
Fixed Charges	4,990	5,129	5,227	5,257	5,412	5,577	5,782	6,042	6,277	6,507	6,744	5,949
Operating Expenses	4,655	5,314	4,810	4,969	5,611	5,657	5,718	6,304	6,416	6,661	6,731	6,139
TOTAL	12,757	13,918	12,948	13,677	15,121	15,294	15,961	16,894	17,229	17,858	18,337	16,177

City Budgets Reflect Demand for Service

RESULTS of a study of the 1930 budgets of 310 American cities of over 30,000 population, just released by the Bureau of Census, support conclusions drawn here before (*BW—Mar30'32*): that city costs have risen because desires of their citizens have been met; that extensive savings in these costs can be made in just 2 ways—reversion to standards of living of the last century, or reassumption by individuals of the many duties which they have thrown upon city governments.

The cost of government in these 310 cities for 1930 was $3,811 millions, 66.4% greater than the 1930 costs of the 48 state governments and 2.8% greater than the cost of the federal government. Total revenue was $3,419 millions, $723 millions more than the total expenditure exclusive of payments for permanent improvements but $392 millions less than expenditures with cost of improvements included.

Expenditures were divided among operation and maintenance of city governments, $2,112 millions, 55.4% of the total; operation of public service enterprises, $178 millions, 4.7%; interest on debts, $405 millions, 10.6%; outlays for permanent improvements, $1,115 millions, 29.3%.

Cost of operation and maintenance, in percentages of total city expenditures, was divided among: education, 21%; police and fire protection, 10.8%; general government, 4.8%; streets and highways, 4.7%; sanitation, 4.0%; charity, 3.9%; recreation, 2.0%; health, 1.4%; miscellaneous, 2.8%.

City revenues came from many sources. The total for the 310 cities was derived from: general property taxes, $2,180 millions; special taxes, $83 millions; licenses, $110 millions; special assessments, $237 millions; subventions, donations and pensions, $200 millions; interest, rents and highway privileges, $158 millions; public service enterprises, $339 millions.

County Has New Idea of What to Use for Money

BUSINESS men of Bellingham and Whatcom county, Washington, are organizing to underwrite $100,000 in county trade certificates to be used as a medium of exchange.

The issue is to be guaranteed by the individual notes of 2,000 responsible citizens.

He *opened* NEW YORK *to* AMERICA . . .

One day in 1825, De Witt Clinton poured a keg of Lake Erie water into New York harbor. He opened the Erie Canal. He opened New York to America.

The magic story of New York was interwoven then, as it is now, with the story of one of New York's great institutions—the Manhattan Company.

De Witt Clinton was Governor of New York. He was the far-sighted citizen, who saw the possibilities in a "Big Ditch." And he was a director of the Manhattan Company.

Today the Port of New York Authority is continuing De Witt Clinton's work. Now, great bridges are being flung across the water-barriers that hemmed in the city for centuries. New tunnels, highways, freight terminals, are part of a definite *plan* for the vast metropolis of the future.

Close to the work of De Witt Clinton in 1825, close to the work of the Port Authority today—this institution continues to subscribe to the future of the city and of the nation which it has helped to build.

BANK OF MANHATTAN TRUST COMPANY

Capital, Surplus and Undivided Profits over $66,000,000

A UNIT OF THE MANHATTAN COMPANY

MAIN OFFICE: 40 WALL STREET, NEW YORK, N. Y.

a New Source of PRODUCTION ECONOMY

***MEASURED LIGHTING*—good lighting, like all other production equipment, remains efficient only by careful check and constant maintenance.**

Now, for the first time, *MEASURED LIGHTING*—correct lighting—for every job and place, can be maintained easily and economically by any production man.

Through the development of the new Weston Illumination Meter—a simple, low-cost instrument—your maintenance man can assure correct illumination . . . light made-to-measure for every job. It is one of production's most economical tools to prevent spoilage, waste, rejects . . . eliminate eye-strain . . . decrease accidents . . . improve the morale of workers. Factors vital to minimum production cost.

Call in a Weston representative. See how easily this simple Illumination Meter works. Let him demonstrate where and how it can save you money. Your public utility will gladly help you chart the correct lighting standards peculiar to your own business. And the Weston Illumination Meter makes their maintenance quick, easy, reliable, inexpensive. It gives you *MEASURED LIGHTING*—a new source of production economy.

USE COUPON BELOW ↓

WESTON

ELECTRICAL INSTRUMENT CORP.

627 FRELINGHUYSEN AVENUE . . . NEWARK, N. J.

I am interested in *MEASURED LIGHTING*. Please have your representative call with the Weston Illumination Meter.

Name_____

Company_____

Street_____

City_____ **State**_____

Wide Reading

CATASTROPHE OR SOCIAL CONTROL? Reinhold Niebuhr. *Harpers,* June. Will social change come in this country from enlightened leadership or only by severe violence? Conditions are fast becoming serious. Our leaders lack background and courage. We need to consider the prospect.

THE FATE OF A GAMBLERS' CIVILIZATION. Norman Thomas. *Current History,* May. Capitalism is doomed to change. There are 4 possible outcomes: catastrophe, fascism, communism, or socialism built on a modified capitalist system.

THE DREADFUL CHORE OF BUYING. Dorothy Garesché Holland. *American Mercury,* May. What one woman thinks of modern salespeople. Successful epitome of a growing public resentment. For the sales manager—and for salespeople.

DIRECTORSHIPS AND THE SHAPING OF BUSINESS POLICIES. W. S. Cousins. *American Bankers Association Journal,* May. How bankers are represented on corporation boards.

KREUGER. John T. Flynn. *New Republic,* May 25. Exposé of a great swindle. "All the money taken by all the publicly labeled scoundrels who peddle blue-sky securities and on whom the Better Business Bureaus wage continual warfare is but a drop in the bucket to the billions which have been lost to American investors and banks through the operations of the very respectable financiers who have been building the holding-company schemes which have been collapsing in the last 2 or 3 years."

AIR CASTLES DON'T LAST LONG. Thomas S. Holden. *World's Work,* June. The construction industry must look a lethargic stork and a restricted immigration law in the eye and plan for the future on that basis.

ADVERTISING RECOGNIZES RUSSIA. John Allen Murphy. *Advertising & Selling,* May 12. Ways and means used by American industry to get its message read in the U. S. S. R.

BUILDING COSTS AND TOTAL COSTS AT SUNNYSIDE GARDENS, LONG ISLAND. Rosalind Tough. *Journal of Land & Public Utility Economics,* May. Details of one of the most successful of the model housing projects in this country.

REMODELING AND MODERNIZING BUILDINGS. *Architectural Record,* May. Restaurants, apartments, shops, houses, show windows, schools. Plans and costs.

MUSSOLINI'S SHIPS. *Fortune,* May. The Italian merchant marine is growing strikingly despite the depression. Speed is featured. Recently reorganized, Italian shipping is on a sounder basis, is ready to offer keener competition.

BOOKS

SMALL LOAN LEGISLATION. Gallert, Hilborn and May. Russell Sage Foundation, 255 pp., $3. Study of laws regulating small loans, the constitutionality of this legislation, and of the "purchase" of wages.

THE BUSINESS MAN AND HIS HEALTH. Jesse Feiring Williams. Whittlesey House, 175 pp. $2. Practical health suggestions for city dwellers and those who spend most of their lives indoors.

At Least, Russia's Trade Is Fast Winning Recognition

Five significant developments direct American attention to the weight of Soviet influence on world business

FIVE developments in the news from Russia, or concerning Russia, are of more than passing importance to the executive.

Most immediately interesting is the renewed agitation in this country for diplomatic recognition of the Soviet Union. While it is unlikely to make much headway immediately, there is significance in the fact that the appeal now is based on the prospect of trade.

As though to back that appeal, studies of American exports for the last 2 years, now getting wide publicity, emphasize the value of Russian orders. Percentage changes in our total exports and in our exports to the Soviets from 1929 to 1931 show up as follows:

Class of Equipment	*Total U. S. Exports*	*Exports to U. S. S. R*
Industrial	— 49	+ 159
Agricultural	— 60	+ 84
Tractors	— 53	+ 60
Combines	— 60	+ 687
Automobiles	— 72	+ 273
Electrical	— 30	+ 92

American exports of industrial machinery and equipment dropped last year to nearly one-half the total for 1930, but Russia remained a good customer. The Soviets took 65% of all our exports of lathes last year, about 70% of all our exports of milling machines, and $4,064,000 out of a total of $6,121,000 of drilling and grinding machine exports.

Buyers of Heavy Stuff

Nearly one-half the American locomotive shipments abroad last year went to Russia, and more than one-third the exports of freight cars. Water-wheels and turbines were exported almost exclusively to Russia. Of foundry and molding equipment exports, the Soviets took 74% last year, 58% in 1930. More than 22% of the oil drilling equipment shipped abroad went to Russia, and 16% of the refining equipment exports. Soviet purchases of American automobiles amounted to $12.3 millions, made up 8.4% of our motor industry's total foreign orders. During the last 2 years the Russians have been the chief importers of American aviation motors, taking 22% of the total in 1931 and 11% in 1930. More than 5.9% of America's 1931 electrical equipment exports went to Russia.

American exports to Russia last year totaled $104 millions. In the first quarter of 1932 they dropped to $4 millions. Advocates of Russian recognition in Washington declare that much of the mistrust of Russia would disappear if we had official representatives in the Soviet Union to gather reliable information and expedite trade just as we do in most of the other countries of the world.

Far East Complications

The second development which is holding business interest is the situation in the Far East (*BW—May18'32*). Among other moves exciting interest is Moscow's order for extensive reconditioning of the Trans-Siberian line, the first large-scale repair work that has been done there in 12 years. Besides, the government is launching a big campaign to improve the entire transport system before the fall harvest to prevent the loss of any grain because of spoilage. Transportation is to receive greater attention in the second Plan. If an emergency speeds this part of the program, Americans are hopeful of receiving some rush orders for equipment.

The third development comes from Moscow. It is the decision by Stalin to liberalize the regulations covering the collection of grain from the farms and to grant greater freedom for individual trade.

This is not to be misunderstood by outsiders as representing failure of the Five-Year Plan or of Moscow's control. No phase of the vast Russian experiment has been more successful than the collectivization of agriculture. More than 80% of the farms have come under the system.

Farmers Get New Incentive

However, all this has been accomplished by carefully-stimulated party zeal, and now that human cooperation is needed more than ever on the industrial sections of the plan, Moscow has made another shrewd move, has given the farmer a greater portion of what he raises to use for himself or to barter in the bazaar for the things he wants. It is a reward for past cooperation. It is likely to bring fresh efforts in other lines which have succeeded less well.

Given more grain for individual use, it is only a second requisite that private artisans be given the opportunity to offer something for the grain—shoes, kitchen utensils, cloth, knives. Moscow is sufficiently in control, is sufficiently launched on the industrial program, no longer to fear losing control of the markets. Small-scale, individual barter will thrive for a time, but it will never be allowed to dominate. Great textile mills, huge canning factories, factories making boots, all are under way. In time, their personnel will become efficient, will be offering better products more cheaply than the individual artisan can supply them. In the meantime, the Soviets will have gained the good will and wider cooperation of a mass of Russians who lack the enthusiasm of the 2 million Communist party members.

This new economic policy leads to a fourth development which has now scarcely started but toward which Moscow is aiming. Since the first factories began to be completed under the Plan, the Soviets have had no greater task than finding men who can run them. Trained workers are few. The tradition of the peasant leaves him poorly adapted to cooperative industrial effort.

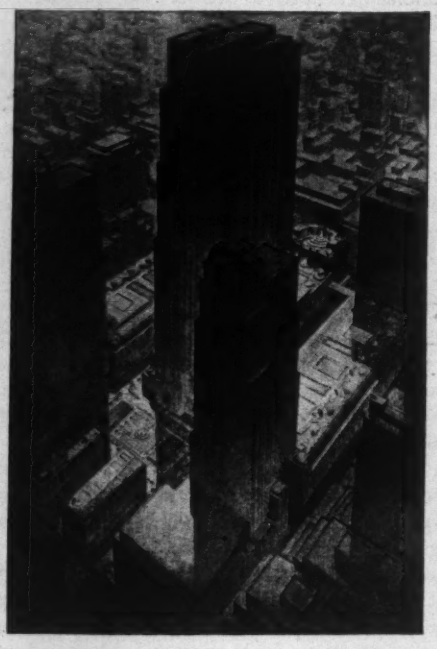
Collectivism Falls Down

Collective management has not proved successful. It is increasingly evident that responsibility must be placed on individuals. This change now is being adopted in the factories as fast as trained managers are found. In the meantime, it is the plan of the Soviets to encourage individual initiative again by allowing the degree of free trading mentioned already, wages on a piece-work basis, rewards for individual effort in almost any line.

Finally, it is significant that Russia is steadily building up relations—trade relations through diplomacy, or diplomatic relations through trade—with her neighbors. A few weeks ago Persia's envoy was received in Moscow with bands and Communistic display. Even more recently the Foreign Minister of Turkey was received in Moscow with the nearest equivalent of Czarist splendor that Moscow has lavished on any visitor—after which Moscow officials announced that a Soviet credit of $8 millions had been granted to Turkey. It wasn't in cash. It is based on an exchange of goods, a bartering of Soviet industrial tools, agricultural machines, and fertilizers for Turkey's tobacco, wool, fruits, minerals.

From Madrid it is reported that Spain

In Rockefeller Center A New Type Radiator . . . Made of COPPER



In Rockefeller Center, that great group of buildings now rising in the heart of New York, the very latest and most practical equipment developed by science and engineering skill will be used. Ninety-nine per cent of the heating facilities in the offices, theatres and studios that are to comprise the group will be of Copper — the specifications calling for more than seven thousand Copper heating conductors.

Heating engineers have found that Copper, because of its high heat conductivity, is the ideal metal for heating conductors. Copper radiators transfer heat rapidly, providing economical operation. Less heating surface is required, reducing unproductive floor space. And because of its relative lightness, Copper also saves dead weight — several hundred tons of it in a typical modern skyscraper.

Heating is but one item of building equipment in which Copper is being used to achieve greater economy and to provide more efficient performance. The list is long and includes such uses as mechanical refrigeration, oil burners, air conditioners, storage water heaters. The public has confidence in products built of Copper and its alloys, Brass and Bronze — confidence that is reflected in greater acceptance for the product of the manufacturer who uses these age-old yet workable metals.

We welcome the opportunity of working with you to determine the suitability of Copper and its alloys to your requirements.

COPPER & BRASS
RESEARCH ASSOCIATION
25 Broadway New York

TIME HAS PROVED THE SERVICE OF COPPER, BRASS AND BRONZE

is going to receive important Soviet orders for lead, copper, cork, and iron in exchange, more or less definitely, for a Russian monopoly in Spanish oil imports.

Italy is already doing more than a $25-million business annually with Russia on a basis of reciprocal trade which has been worked out by representatives of the 2 countries.

Under a governmental monopoly, Russian trade will tend to be more and more of a bartering of exports for imports. The most urgent needs for complicated machinery have been filled in the first Plan. The second will allow for greater flexibility, for broader buying of less highly-developed machines and materials. Many countries which have not shared in the first Plan will find it profitable to buy from Russia if they find a market through Moscow for their own products.

The Soviets still face great problems. They may yet suffer great setbacks. If troop concentrations in the Far East result in an "incident" and lead to war, it might seriously jeopardize the Plan. But the weight of Soviet influence on world business has become too great to be ignored. Whether or not Washington sees fit to recognize Russia, business men are becoming increasingly aware that the Soviet Union is playing an important part in the shaping of world business. It is no longer just a question of whether or not we recognize the Soviet Union and win a larger share of Soviet business. It is a matter now of keeping alert lest we lose some important markets to the Russians.

German Foreign Trade Drops Toward Moratorium

GERMANY'S only real hope of avoiding a transfer moratorium on commercial debts (in addition to the Hoover moratorium on political debts) is her ability to maintain a favorable balance in foreign trade (*BW—Apr6'32*).

April figures, available this week, show how far the Reich has fallen behind. More, the average for the first 4 months of the year is also down.

The Business Week's Berlin correspondent, after making a careful study of the country's foreign service charges for 1932 (*BW—Apr20'32*), estimated that the total would exceed $360 millions. This would demand average monthly payments to foreign creditors of $30 millions (not including 1932 maturities).

The April trade balance dropped to

$14 millions, really to $11 millions if reparations-in-kind are not included. With $26, $24, and $40 millions for the first 3 months of the year, this gives the country only $26 millions as the monthly average to date.

Though not seriously below the required figures, the results are viewed pessimistically because they indicate a trend which is bound to become increasingly unfavorable. April exports showed a drastic drop, inevitable in the face of tariffs, exchange restrictions, embargoes. Imports increased in spite of restriction on foreign exchange.

Chances that Germany can alter this downward trend and lift the favorable balance are slender. A commercial moratorium is to be expected, and soon.

Argentina Comes Here For Modern Refrigeration

NEW markets for refrigeration equipment are in prospect.

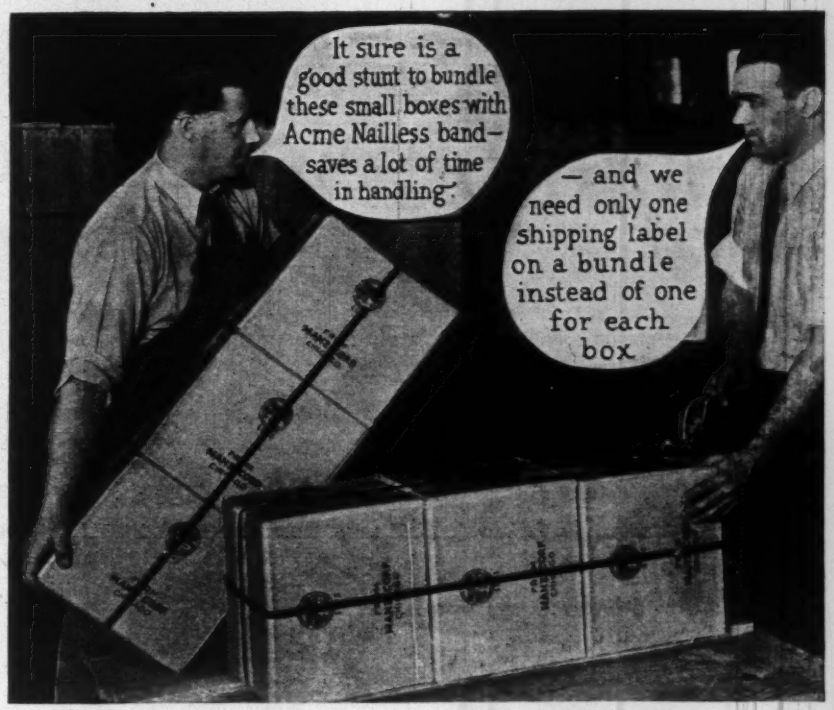
Buenos Aires is going to play host to the Sixth International Refrigeration Congress late in August. There will be an exhibition of equipment.

Argentina has let it be known that she is interested in this kind of equipment, has sent a special representative to New York to explain to manufacturers the sort of equipment best adapted to the Argentine market, the small progress that has been made.

In 1930, Argentina shipped abroad refrigerated goods valued at $100 millions. Now, with quick-freezing making rapid headway in the United States and with Great Britain fostering an empire preference policy, Argentine exporters, stock men, and farmers are afraid Australia and New Zealand will steal their best market. One way to keep that market, or to create new ones, is to utilize the most modern refrigerating methods.

There are nearly 400 slaughtering houses in Argentina but only 6 or 7 of the largest plants which produce for export have their own refrigeration plants. The fishing industry, which produces 17 million pounds of fresh water fish and 60 millions of salt water varieties, operates without a single large refrigeration installation. With 30,000 miles of railways, the country has only 259 refrigerator railway cars.

More than 40 nations sent representatives to the last conference, which was held in Rome in 1928. Argentina believes the possibility of direct sales may attract as large a number this year.


It sure is a good stunt to bundle these small boxes with Acme Nailless band—saves a lot of time in handling.
— and we need only one shipping label on a bundle instead of one for each box.

• • • • You can save money by strapping small boxes and packages into bundles of two or more with Acme Nailless Band.

Boxes weighing less than 10 pounds take a lower express rate when strapped together, being assessed on the total weight of the bundle instead of the minimum rate of 10 pounds for each box.

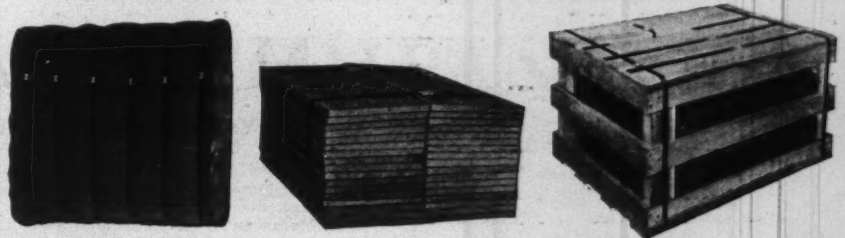
A further saving is made because only one shipping label is required for a bundle. Handling is speeded up—none of the boxes can become separated or lost from the rest of the consignment—pilferage is prevented.

. . . . . Write for a mimeographed copy of Rule No. 11, Railway Express Agency Official Express Classification, and information about other ways of reducing shipping costs with Acme Nailless Band.

Send for "Bound to get there" booklet, which shows various money saving uses of Acme Nailless Band, and equipment which makes strapping any type of shipment quick and easy.

ACME STEEL COMPANY

General Offices: 2828 Archer Ave., Chicago SAVE WITH STEEL Branches and Sales Offices in Principal Cities



"The United States

McGRAW-HILL

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Business men, industrialists and engineers—500,000 of them—regularly read the McGraw-Hill Publications. More than 3,000,000 use McGraw-Hill books and magazines in their business.

Radio Retailing
Food Industries
Chemical & Metallurgical Engineering
Electrical World
Electrical Merchandising
Electrical West
Electronics

is Closed for the Summer"

You'd think the whole nation is going to the backwoods for July, August and September—if you judged by the actions of some manufacturers. True, these manufacturers don't tell their salesmen to go fishing. But they rob them of their chief selling support. They cut out advertising—and play into the hands of aggressive competitors.

Consider what happens in these summer months. Goods are being produced for sale from October to Christmas—in many lines the biggest quarter of the year.

Moreover, in these "dull summer months" over twenty million families are buying foods, clothing, beauty preparations, cigarettes . . . hundreds of items! These orders create a demand for replacements . . . keep the wheels running in a wide range of factories.

Plainly, the manufacturer who "lays off" his advertising for these three months, gives his competitor a fine chance to cut in on his market. But the converse holds true, too. Summer's the time to make your competitor take *your* dust.

If you are selling to business and industry, the McGraw-Hill Publications offer you the media for that advertising—at a most reasonable cost. Here waste circulation is virtually eliminated. Only the important business men, industrialists and engineers, are reached through these papers. But they're the only ones you want to reach. They're the only ones who'll sign these buying orders for business and industry . . . *this Summer.*

* * *

Because we have faith in advertising and in our ability to sell in the summer, we are continuing our own advertising on a weekly schedule for the remainder of the year. We started this advertising a year ago this time—and we are glad that we did. Fighting against the tide, we more than held our own ranking.

So we announce to business men who use advertising—and to others who *should* use it—that we are not only open for business in July, August and September, but that we are going out after it. And we hope that they are, too!

PUBLISHING COMPANY, Inc.

Cleveland · Detroit · Chicago · St. Louis · San Francisco · Los Angeles · London

American Machinist
Product Engineering

Engineering News-Record
Construction Methods

Engineering and Mining Journal
(*Domestic and Export Editions*)

Metal and Mineral Markets
Coal Age

Transit Journal
Bus Transportation
Aviation

Textile World

Factory and Industrial Management
Maintenance Engineering
Power

The Business Week
Management Methods

Business Abroad—Swift Survey Of the Week's Developments

Constructive measures in almost every country failed again last week to bring any marked improvement to business. . . . France is still troubled by both internal and external political uncertainty. . . . Germany is faced with a political deadlock, discouraging foreign trade in April, and small hopes for extensive cooperation at Lausanne. . . . Austria, unable to gain another loan, is forced to an exchange transfer moratorium. . . . Britain is still relatively most hopeful but unable to bring about sound recovery until other countries find a way out, too. . . . Japan places hope in a national emergency cabinet. . . . Lausanne is scheduled to convene June 16. Intervening "conversations" may still improve the chances for important results.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Sentiment in Europe is more unsettled this week due to growing anxiety over conditions in the United States, to evaporation of hopes that there will be any really important benefits from the Lausanne conference, to increasing fear that Chancellor Bruening will be forced to resign as leader of the Reich, and to the threat of a complete commercial moratorium in Germany now that the April trade balance has collapsed under the world's ubiquitous trade barriers (page 24).

Rapidly spreading economic decay in eastern Europe, and the expectation that the Austrian exchange transfer moratorium will be declared before the end of the week are contributing to the feeling of economic doom.

Commodities and securities have been weak but showed fair resistance, during the week, to further price declines. Some developments have been favorable. Drastic regulation of tin output, for example, now seems most likely. Europe also is holding considerable hope that the petroleum conference in New York (page 7) will be successful in bringing the Russian-British-American price war to an end. The Royal Dutch report last week, too, revealed unexpectedly the company's strongly liquid position and quite effectively quashed recent bear attacks on the shares.

Formal announcement of the Kreuger bankruptcy has no significance beyond establishing net liabilities of Kreuger & Toll at 687 million Kronen, and Kreuger's personal liabilities at an additional 947 millions, making a total of $440 millions at par. There are still hopes that Swedish Match can be salvaged.

Austrian Moratorium

The failure of the meeting at Geneva of the great powers under the auspices of the League to do more than refer the Austrian crisis to another commission has left Austria with no alternative but an exchange transfer moratorium or starvation (*BW—May25'32*). Vienna has announced that June and December interest payments on the League loan have been arranged, but that other payments on foreign loans—totaling, in the next half year, $14 millions—cannot be met. Reserves now have dropped to a bare $3 millions.

The moratorium need not necessarily have catastrophic consequences though it increases seriously the cumulative total of partial and absolute moratoria overhanging the world's financial structure. Already Germany, Hungary, Greece, Bulgaria, and Yugoslavia have declared moratoria in one form or another. Poland and Rumania are likely soon to be forced to take similar action. Eventually Czechoslovakia is likely to follow. If and when these are declared, all of Europe east of the Alps (except Russia) and between the Baltic and Black seas will be involved. This means that 160 million people will be technically bankrupt.

The gravest danger is that the deepening depression will finally cause complete economic collapse in certain of these countries, especially in Austria, which is the political and geographical hub of Europe. This eventually might easily precipitate a wolfish quarrel among the country's neighbors over the pieces. Moratoria at least have this advantage that in relieving financial pressure, they ease economic strains. On the other hand they risk serious disruption of the supply of essential foodstuffs and raw materials for industry.

Great Britain

Business slack because of holiday . . . . Increasing anxiety over international uncertainties. . . . Bank of Eng-

Wide World

FRANCE EN FAMILLE—*No Paris chic confuses the existence of M. Albert Lebrun. The new President of France is a solid man*

land buys French gold. . . . Conversion operation expected in June. . . . Labor troubles threatened.

LONDON *(Cable)* — The Whitsuntide bank holiday is nominally only a one-day break in the business routine. Actually, Britishers celebrate for the better part of a week. This week's business reflects holiday inactivity. The tone is still good but underlying anxieties are obviously increasing. The plight of the Cosach interests particularly has worried the City. During the week the Bank of England headed a group of banks which came to the rescue of the Anglo-South American Bank, which has been embarrassed by the lack of liquidity of some of its holdings connected with the nitrate industry. The whole affair is just one more reminder to the City that Britain cannot possibly expect to achieve recovery alone through domestic political and financial measures.

Market Influences

Three developments focussed interest this week. The first was the Bank of England's purchase of gold from France, probably a part of the plan for exchange stabilization. The gold was not transferred, was left earmarked in the vaults of the Bank of France.

The second development was only a rumor but it comes from reliable sources and stirred the City. The date now tentatively set for announcing the British conversion scheme is June 1 with the actual operation taking place during the month. This will provide for refinancing present war loans on a new 3½% basis in fresh bonds to run for 40 or 50 years. The rediscount rate is likely to be lowered again (probably to 2%) before the bonds are issued.

The third development concerns labor, and is unfavorable. Employers in the cotton textile area have given notice that they are terminating all agreements on wages and hours on June 11. Unless some new agreement is reached, 200,000 operatives are likely to walk out then. This, with the probability of labor difficulties in the coal mining areas, has punctured some of the optimism which has been developing behind the protection of a tariff.

Germany

Business dull. . . . Internal political deadlock; new taxes to aid unemployed; April foreign trade off.

BERLIN *(Cable)*—Germany's incipient business optimism of recent weeks has been crushed by the gloomy prospect of gaining any widespread relief from the Lausanne meeting, by the internal political deadlock caused because the Nazis have been unable to effect a working majority in the Prussian Diet, and finally by the announcement of new taxes to meet dole requirements for the country's 6 million unemployed.

The tax problem is critical. Last winter when Chancellor Bruening decreed tax increases, it was declared in Berlin that the government couldn't possibly squeeze another increase out of the people. Now the Cabinet has decided that it will be necessary to increase the rate of the income tax in the upper brackets and at the same time lower the amount of the monthly dole. Most of the unemployed are now receiving no more than $1.50 to $3.25 a week. The period over which unemployment relief will be paid is being cut from 20 to 13 weeks because of the drain on the treasury. "Crisis payments," the aid given by the communities after the period of the unemployment insurance payments has expired will be increased 7 weeks.

April foreign trade figures are gloomy (page 24). Th favorable balance dropped to $11 millions, while a monthly average of $30 millions is required to meet the country's commercial loan obligations abroad.

Business is dull, the atmosphere tense. While efforts to check price deflation have failed, the government still hesitates to apply the credit expansion tonic being tried in the United States and Britain because of the fear of dangerous repercussions on the stability of the Reichsmark. The Reich is still trying to maintain a semblance of unity and stability until Lausanne shows how far other nations are willing to cooperate in present difficulties.

France

Spring optimism rapidly dissipating. . . . Unemployment decline petering out. . . . Political uncertainty, the budget deficit, and the gloomy prospects of accomplishing anything at Lausanne are abetting pessimism. . . . New government faces problem of wage cuts. . . . Trouble ahead.

PARIS *(Wireless)*—If France was optimistic over the very slight spring revival which made itself evident for more than 6 weeks in the form of slightly lower unemployment figures and a small pickup in the out-and-out

Will you be on the

PROFIT SIDE of ENGLAND'S TARIFF WALL?

BRITAIN has cast her vote for *tariff*. What will this mean to your export business?

Answer that question with action... get inside the "wall" now. Protect your business by establishing a factory in England. No customs duties to pay. No gold standard to worry about. Cheaper labor and carrying charges.

It is easy to find out whether or not this suggestion fits your case. Our files contain a complete listing of British factory sites for sale or rent. Also the experience background of scores of American businesses already manufacturing in England. Write or phone for this information . . . one of our offices is near at hand. It will be given in *strict confidence*, without cost or obligation.

LMS
GREAT BRITAIN

London, Midland & Scottish Railway of G. B.

[LONDON, MIDLAND & SCOTTISH CORPORATION]
Thomas A. Moffet, Vice-President—Freight Traffic
1 Broadway, New York City

consumer industries, this hopefulness is fast disappearing now.

The decline in unemployment has almost stopped. Freight movement is unsatisfactory despite the fact that April trade returns, just available, show an increase of 12% in raw materials imports, and that exports, instead of contracting as is usual at this time of year, increased slightly. Reports circulating in Paris indicate that one-fourth of the French mercantile marine is tied up for lack of cargoes.

Political Confusion in Paris

Sentiment, reflected in the steadily declining Bourse, is now becoming distinctly more pessimistic. The 3 principal factors causing this are the post-election political confusion which will continue until Herriot forms some sort of an alliance with other parties and creates his cabinet, the growing realization throughout the country that there is a serious financial crisis at hand (salaries are reported overdue in several government departments), and particularly to the prospect of difficulties at Lausanne. This last worry is due not only to the realization that no significant agreements have been reached in advance by the major participants but also to the dread of having a still-to-be-formed French government, wholly lacking in practical workability at home as well as abroad, run up against Germany's carefully prepared thesis.

The international situation is causing further complications. One after another of France's eastern allies are now calling for financial aid which Paris cannot give. The Treasury is empty (Frenchmen are thoroughly alarmed since the Treasury was forced to resort to a bond issue of $120 millions early in the month) and there is rapidly increasing evidence that the public will no longer support any large political loans with conditions in the petitioning countries as serious as they are. Germany, meanwhile, is making seductive offers of preferential treaties to these eastern nations which they are beginning to toy with, despite their alliances with France.

Wage Reductions

One of the problems with which the new government will be faced soon after it comes into office is the question of wage reductions. In those industries where conditions are particularly unsatisfactory, there is a movement on foot to reduce wages by 10% with a view to reducing production costs. Its success, however, is questionable as the price indices are still high. Wholesale prices stand at 424 at the end of March, at 421 at the end of April. The retail price index actually rose 2 points in the same period. In wholesale prices, the spread between domestic and imported goods remains considerable: 196 points. Furthermore, domestic indices rose by 1 point while those for imported products declined by 8 points.

40-Hour Work Week

Another reason why wage reductions are unlikely is that the new Left parliamentary majority would certainly adopt a hostile attitude to any such move. In fact, there are very definite indications that at the Socialists' instigation, one of the first "social" problems which the new Chamber will have to consider will be the eventual enactment of a law instituting a 40-hour week without any corresponding reduction in wages. Of course, the measure will not pass the Senate, but the possibility—or probability—of its being voted by the Chamber is indicative of that body's eventual reaction to any wage reduction scheme.

Both economically and politically the French position is becoming more difficult as the depression undermines prosperity at home and ability to maintain attachments with the satellites abroad under the old military and financial bondage.

Far East

Economic conditions unfavorable. . . . Japan resorts to national emergency government; builds new, but not wide, confidence. . . . China likely to avoid spring civil war. . . . Manchurian situation dangerous.

SELECTION of Admiral Viscount Seito, venerable Japanese liberal, to form a new super-cabinet, a sort of national emergency coalition, has somewhat improved the outlook in Japan.

In China, another week of quiet has given substance to the belief that Nanking is going to be able to hold power without serious opposition from unfriendly war lords or from rampant communist troops in the west and south.

In Manchuria, the situation is no less tense. Concentration of Russian and Japanese troops near the Siberian border, and the disquieting rumors that Japan is trying to shake Russian control in the Chinese Eastern Railroad increase the probability of open conflict.

The local political situation in Tokyo dominated the week's news. The growth of an Oriental brand of Fascism, and the cleavage within military ranks over government policies at home and abroad, created an emergency which the emperor and his advisers overcame by inviting an old and trusted liberal to form a national emergency cabinet in which would be included members of both parties.

With the announcement, public confidence recovered and stocks picked up some of the losses of the last week. As soon as the cabinet is formed, the Diet will be reconvened to pass on the country's new tariff plans, on plans for government bond issues which are likely to total more than Yen 500 millions before the year is over, on a program of foreign exchange control, and on some plan for mild inflation.

Japanese Business Slack

Business generally is less active. The steel, cement, and copper industries report smaller demand. Cotton and rayon, on the other hand, have increased their production, are anticipating larger exports.

Foreign trade continues to build up an unfavorable balance due to small raw silk exports and to continuing large imports of raw cotton.

The Manchurian situation is no less serious. Japanese troops are still being poured into the area as fast as they are withdrawn from Shanghai. While the necessity is blamed on Chinese rebels, the world is aware that concentration of these troops in the northeastern area is a serious menace. Russia is moving troops and provisions to the vicinity of Kharbarovsk and Vladivostok.

Latin America

Cosach problems still unsettled. . . . London comes to aid of bank holding frozen Chilean assets. . . . Argentina sells first instalment of huge domestic loan. . . . Mexico brings foreign banks under strict control.

ECONOMIC developments in Latin America this week were as gloomy as in other parts of the world.

Widest interest still centers in negotiations concerning the Cosach nitrate organization. Rumors are plentiful in both London and New York, but confirmed plans are slow in being announced. Most reliable Wall Street information intimates that a 6-month moratorium will be necessary, and probably will be announced soon. Within that time, some plan may be agreed upon for converting Cosach bonds into common stock.

The London market has reacted promptly to the Cosach difficulties.

Britain's effective bondholders' protective association is busy on the Anglo-Chilean (division of Cosach) interests, trying to ease the situation for the bondholders. The Anglo-South American Bank, Ltd., which was caught with a large volume of frozen assets resulting from heavy financing of nitrate shipments, is being relieved temporarily of some of these by a consortium of London banks.

Argentine Bond Issue

In Argentina, the first instalment of the government's 100-million peso internal bond issue, which eventually is to total 500 millions, has been absorbed by the public. New York bankers, however, who are not especially sanguine over the possibility for the success of later instalments, point out that the first 100 millions might well have been subscribed by institutions, that later issues will need the support of the public. The first instalment was issued at 90, will pay 6%.

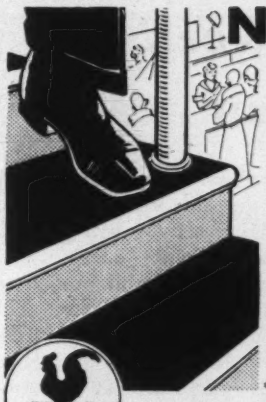
Mexico this week continued the government's policy of giving domestic institutions a larger share in the country's business. The newest regulation affects banks. It is still incomplete, but is designed to speed up plans to make the Bank of Mexico an effective central bank of rediscount.

Foreign branch banks operating in Mexico are importantly affected. According to one of the new stipulations, they will be required to invest an equivalent of at least 6% of their capital and reserves in "Series B" shares of the government-controlled Bank of Mexico. Further to afford security to depositors and at the same time to permit greater flexibility in the national credit situation, there is a provision that 5% of all national currency deposits shall be deposited with the new central bank.

Mexico Regulates Banks

Branches of foreign banks in Mexico no longer can accept savings deposits, act as trustees, issue cash or mortgage bonds, deposit certificates or collateral bonds. Unless the deposits of branches of foreign banks are deposited with the Bank of Mexico or other credit institutions of Mexico, they shall be invested according to law and the character of the deposits and credits arising from them must be granted to persons living within the country or having business there.

There is the further warning that the capital of foreign branches must be represented by cash in national money, credits payable within Mexico, and Mexican securities or Mexican real estate.



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*Name on request. *Branches in Principal Cities*

PABCO PRODUCTS

THE LOW-COST, LONG-LIFE FLOOR COVERING

MASTIPAVE

There's always good news in the textile industry

Bigelow-Sanford Carpet Co. has continued to operate many of its departments without interruption in spite of economic conditions, President John A. Sweetser recently announced, adding that he held an optimistic view for the future.

Sanford (Maine) Mills announce that 40 more looms are to be operated day and night due to large orders.

Goodall Worsted Company, manufacturers of Palm Beach cloth and suits report that business is constantly on the up-grade.

Interstate Hosiery Mills, Inc., N. Y., are running on an increased production scale. Shipments in April were 52% above those for the corresponding month a year ago.

Louisville (Ky.) Textiles Inc., is running on full time production schedule with regular working quota in practically all departments.

Reading (Pa.) Towel Manufacturing Co., is operating on a full time schedule up to 9 P.M. in various departments.

The Peace Dale Mills in Rhode Island started May 2nd on a 54-hour a week schedule, replacing a 48-hour week.

Malone Knitting Company, Springfield, Mass., is adding a line of infants' towels, wash cloths, bibs and sleeping gowns to its established line of infants' shirts. The company is now packaging much of its output using a combination of cellophane and glassine.

Another car load of machinery is being installed in the new full-fashioned mill of the Charles H. Bacon Company, Louden, Tenn.

American Silk Mills, Inc., Lancaster, Pa., will erect an addition which will accommodate 100 looms.

Two car loads of machinery are being installed at the Yates Bleachery Company, Flintstone, Ga.

Russell Manufacturing Co., Middletown, Conn., is installing heavier and larger looms than have ever been used before for manufacture of wick material. New hydraulic machinery is also being installed for increased production of brake lining.

Salem Linen Mills, Oregon, are planning an expansion program and installation of equipment to double present capacity.

Eagle Knitting Mills, Milwaukee, are running on a 21½ hour a day schedule.

Blood Knitting Company, Amsterdam, N. Y., opened all departments the last week in April on a five-day schedule.

The Fort Mills in South Carolina have instituted day and night working shifts to maintain operation on a capacity schedule.

All three Gastonia, N. C., units of Hanover Mills are running on a full-time schedule with close to normal working quota.

The Lafayette, Ga., Mills of the Consolidated Textile Corp. have been completely motorized and are now operating day and night.

After having curtailed operations for several weeks the Erwin Mills (Cooleemee, N. C.) are now operating on a full-time schedule.

The Dover Mills, Shelby, N. C., are running on a full-time production schedule.

Black Bear Woolen Mills, Proctorsville, Vt., are arranging for immediate resumption of operations following a three months' shut down.

Walker County Hosiery Mills, LaFayette, Ga., have received several large orders and are operating at full capacity for the first time within a year. 100 new machines have recently been installed.

After running on part time for several months the Buena Vista Textile Corp. will start at once to operate full night and day shifts.

* * *

In fact, during the last two years, the textile industry has consistently been a bright spot in industrial news. If this industry is a market for your product we shall be pleased to suggest ways and means of cultivating it adequately.

Textile World

330 West 42d St., New York

The Figures of the Week And What They Mean

Business activity seems unable to withstand the steady ebbing of confidence. . . . Steel activity has turned downward after several weeks of small but steady gains. . . . Ford plans to increase assemblies in the coming weeks, but other steel consumers remain more or less dormant. . . . Construction outlook for May is mildly favorable under strength of public works. . . . Electric power shows little change, but summer curtailment of industrial activity to the present low level of consumption will not serve to boost power output. . . . Carloadings reflect the contraction in purchasing power following the continued declines in employment and payrolls.

ACCORDING to *Iron Age*, steel activity has shown a tendency to waver slightly. Operations during the past week are now estimated at 24% of capacity, which on an adjusted basis results in a one point decline in the index to 35% of normal. From reports on hand, it would seem that this decline is temporary, since motor activity will probably not reach its peak until June.

The low-price automobile producers remain the mainstay of the market, with Ford in the lead. Employment in Detroit on May 16 stood at 69 against 63.6 a month ago. Plants in Cleveland supplying parts for Ford are stepping up operations to full-time and, in some cases, using double shifts. Assembly plants are adding to their forces as the June schedule is expected to be substantially above the 40,000 of May. The bulk of the June steel business will probably be placed in the next two weeks. General Motors is proceeding more cautiously in its production plans. The June schedule for Chevrolet appears to have been revised downward to its original quota of 35,000 units.

April passenger-car sales based on returns of 37 states to R. L. Polk indicate a 20% gain over March, while truck sales in 36 states are about 1% smaller than the preceding month.

A small volume of rail buying has come into the market destined chiefly for repair purposes. Approval of the Pennsylvania Railroad loan by the Interstate Commerce Commission practically assures funds becoming available for the $68-million electrification program. Some structural steel specifications are being released by the road, but so far the road, which is normally the largest buyer of steel rails, has not put in an inquiry for its 1932 requirements.

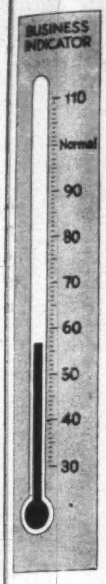
Oil Supplies for Irak

A few small orders for trucks, tractors, and pipe have been received in this country for the Near East Development Co., to be used in the Irak oil region. Some tractor inquiries are arising in this country. Structural steel awards, according to *Steel*, are now the largest since March, while pending contracts in Washington appear promising.

Finished steel prices seem fairly stable with threats of increases spreading. Finished steel bar makers have followed the lead of the wire trade and are quoting definite price schedules wherein the governing factor is the quantity of one size and grade ordered for ship-

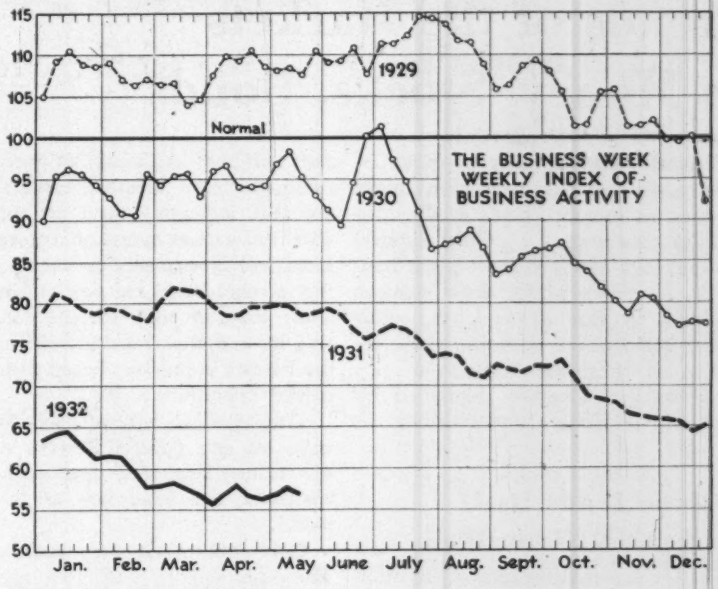
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
	*56.7	†57.8	78.5	
PRODUCTION				
Steel Ingot Operation (% of capacity)	24	25	43	74
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,882	$4,679	$12,714	$20,312
Bituminous Coal (daily average, 1,000 tons)	*721	746	1,131	1,357
Electric Power (millions K.W.H.)	1,436	1,437	1,645	1,589
TRADE				
Total Carloadings (daily average, 1,000 cars)	86	89	125	158
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	62	64	88	104
Check Payments (outside N. Y. City, millions)	$3,033	$2,824	$4,552	$5,649
Money in Circulation (daily average, millions)	$5,439	$5,456	$4,671	$4,674
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.53	$.52	$.73	$1.13
Cotton (middling, New York, lb.)	$.058	$.057	$.089	$.165
Iron and Steel (STEEL composite, ton)	$29.58	$29.64	$31.33	$34.84
Copper (electrolytic, f.o.b. refinery, lb.)	$.051	$.052	$.085	$.132
All Commodities (Fisher's Index, 1926=100)	61.1	61.4	71.0	89.5
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1.971	$1,917	$910	$1,133
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,037	$19,140	$22,708	$21,972
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,711	$6,740	$7,924	$8,593
Security Loans, Federal Reserve reporting member banks (millions)	$4,950	$4,977	$6,981	$7,118
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$414	$438	$1,631	$3,711
Stock Prices (average 100 stocks, Herald-Tribune)	$78.82	$79.32	$118.83	$152.37
Bond Prices (Dow, Jones, average 40 bonds)	$70.23	$72.25	$95.46	$96.09
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.3%
Interest Rates—Prime Commercial Paper (4-6 months)	2½-3¼%	3-3¼%	2-2¼%	4.1%
Business Failures (Dun, number)	720	662	514	455

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*. May 7, 1930, p. 39.



ment at one time to one destination. The lowest price is quoted on 10,000 pounds or more.

Some doubt is expressed in certain steel quarters as to the wisdom of a general advance in steel prices in spite of the pressing need for greater income. Prices of strips and sheets have suffered most in the present depression, amounting in some instances to $20 to $40 a ton compared with a few years ago. But consumers appear to be little interested in third-quarter prices, since prospective tonnage requirements are negligible.

Construction continues to give a good account of itself thus far in May and bids fair to exceed the April total, which fell just short of $122 millions. The first 2 weeks accumulated more than $63 millions of contracts, chiefly with the aid of public works awards, and the third week promises about the same average volume.

Federal Work Increases

The *Engineering News-Record* data on heavy construction awards during the 4 weeks of May total $105,542,000 against $95,365,000 in the preceding 4 weeks of April. A rise in federal government work is apparent in the last few weeks, while state and municipal projects have waned.

Bituminous coal production continues to decline instead of indicating the usual resumption of activity preparatory to fall consumption. The adjusted index for the week of May 14 remains unchanged at 40% of normal. The strikes in the Indiana, Illinois, and Ohio fields remain unsettled. Anthracite production has been cut almost in half since the close of April.

While electric power production during the week ending May 21 shows but a slight change from the preceding week and produced no change in the adjusted index which remains at 72% of normal, the increasing spread of the curtailment program in industry may have marked influences on power production in the next few months. The New England region is already started on a drastic restriction of operations in its cotton mills, and shoe factories are also slowing down.

Carloadings Lower

A further loss in carloading shipments during the week ending May 14 has widened the spread from a year ago to 30.7% against 28.4% the preceding week. For the year to date, the decline has equalled 23.6%. Only ore shipments made a gain over last week. Miscellaneous and less than carlot freight both declined leaving the adjusted index one point lower at 54% of normal. The decline confirms the shrinkage in sales of both department and large chain and mail order houses.

A small rise in the volume of check payments followed the sharp slump of the preceding week, except in New York City where a 3% decline continued the 30% drop of May 11. The index based on the past 2 weeks of low totals records a sharp decline to 62% of normal.

The daily average volume of currency circulation for the week ending May 21 turned slightly upward, counter to the usual seasonal trend. The adjusted index now stands 49% above normal. The rise is not large enough to be significant. Rumors of renewed hoarding cannot be substantiated as yet, though the increase of bank failures from 45 in March to 68 in April may have stimulated such activity in some communities.

The downward trend of commercial loans continues in spite of efforts to ease the credit situation. The adjusted index remains unchanged at 7% above normal.

Following the unfavorable record of commercial failures in April, the week of May 19 witnessed a sharp upward swing in the number of insolvencies to the highest point since the middle of February.

Wheat Tries a Rally

No marked change occurred in the generally downward trend of commodity prices. Wheat and corn tried to rally on the strength of crop reports, but turned soft with weather improvement. Hides and coffee moved upward, but rubber, cocoa, hogs and cattle over balanced these scattered signs of strength. Silk gained early in the week, only to lose out later. Cotton was irregular, as was sugar. Cotton spinning activity during April is reported at only 70.7% of capacity against 90.1% in March. Wool prices remained unchanged. Efforts to stabilize the wool trade are now being made. The nonferrous metal markets report gains in zinc and tin, lead steady and copper weak.

Trends of the Markets In Money, Stocks, Bonds

Federal Reserve faces problem of making open-market operations more effective as member bank credit contraction continues. . . . Gold exports and currency increase cause some concern. . . . Stock prices show sharper weakness in face of European difficulties and further domestic trade recession in consumer industries. . . . Bond markets steadily depressed by fiscal and legislative uncertainties.

Reserve Finds Itself Up Against Stone Wall

FAITH in the effectiveness of reflation via Federal Reserve open-market operations is apparently waning. This accounts for the establishment of business-banker committees under Reserve auspices in several Districts, and accelerated Administrative and Congressional activity in constructing relief measures to employ credit in public channels.

Credit contraction by member banks continues. For the week ended May 18, latest available figures show further decline of $103 millions in loans and investments of all reporting member banks, and loss of $47 millions in deposits, despite Federal Reserve purchases of governments amounting to $81 millions. Although as a result of these purchases member bank reserves are still increasing, and are probably $500 millions in excess of requirements, loans and investments of weekly reporting member banks are now only slightly above the low point for the depression and have dropped $570 millions since the Reserve authorities began their open-market operations.

This situation will probably take the edge off any Federal Reserve decision to continue large-scale open-market purchases at the same rate as in recent weeks.

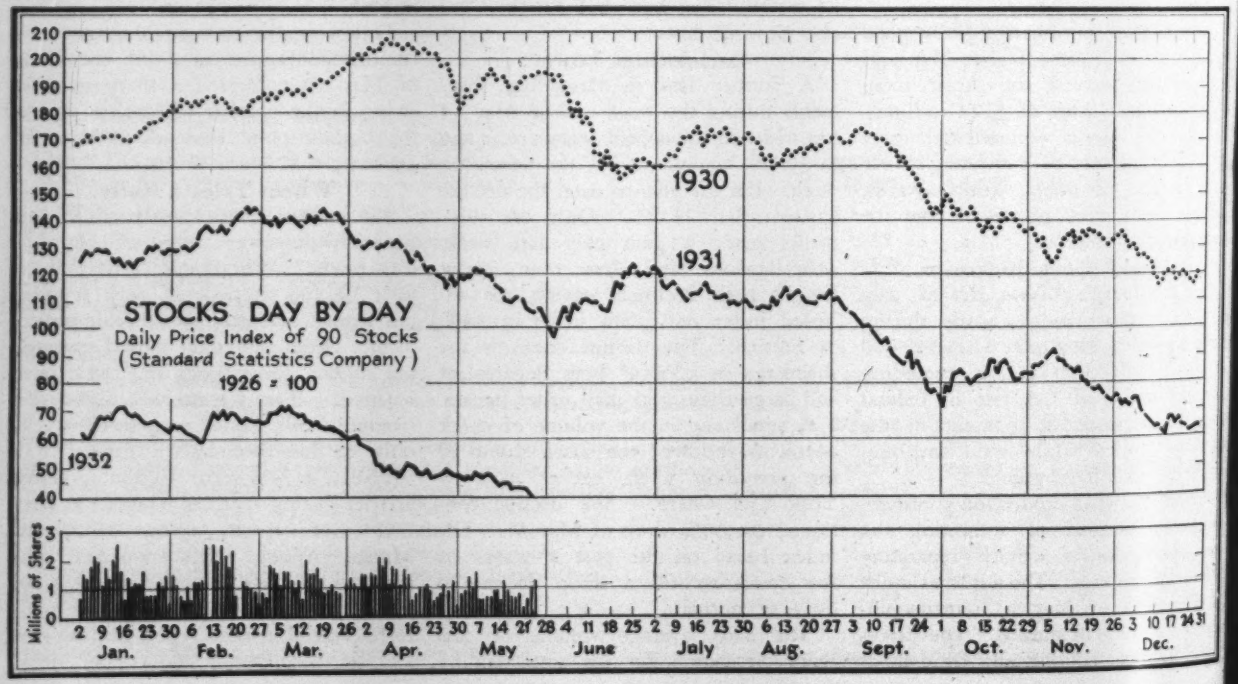
Gold exports, domestic hoarding and European factors will also make for caution in open-market policies. Exports have been running at a fairly high rate, the outflow turning recently from the gold-standard countries to England and Germany, regardless of the adverse exchanges. The power of France, Holland, Switzerland, and Belgium to draw American gold is apparently diminishing, as the short interest in the dollar weakens, but there is some evidence that gold is moving to London for hoarding purposes by private interests for fear of gold embargo by France, or due to doubts about the gold standard in the United States.

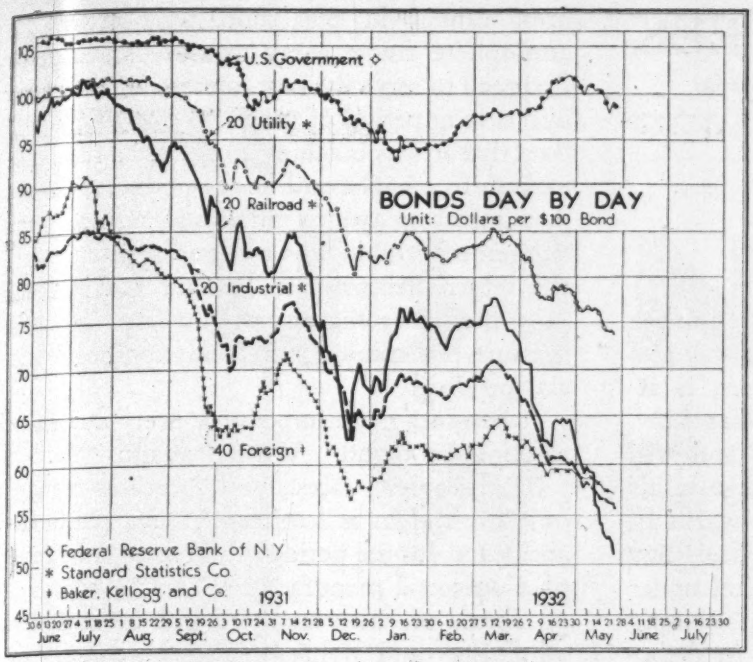
An unseasonal increase in currency in circulation in recent weeks, and a somewhat less satisfactory bank suspension record, together with the approaching climax in central-European financial difficulties are sources of anxiety in banking circles. The latest figures show some increase in borrowing by member banks outside New York, possibly representing application of Glass-Steagall Act provisions for emergency rediscounts and reflecting increased strain on rural banks.

Money rates in main centers still rule easy in spite of these uncertainties. Excess reserves of city banks have made them scramble for short-term liquid investments. The most recent 91-day Treasury bill issue of $60 millions, 5 times over-subscribed, went at a record low rate of 0.29%, which is not much more than half the interest rate paid on demand deposits in New York.

Stocks Being No Fun, Wall St. Tries Wheat

THE market was dull and inactive most of the week, the stock averages remaining almost motionless as they have for 10 days, finally sliding off to new lows under disappointing business news and anxiety about Europe. The Street has been amusing itself chiefly by reading the reminiscences of the good old days dug up by the Senate Committee's stock market muckrake, but even this gave out as the senators themselves lost interest. The shorts seemed to have re-




BONDS DAY BY DAY
Unit: Dollars per $100 Bond
U.S. Government ◇
20 Utility *
20 Railroad *
20 Industrial *
40 Foreign †
◇ Federal Reserve Bank of N.Y.
* Standard Statistics Co.
† Baker, Kellogg and Co.
1931
1932
June July Aug. Sept. Oct. Nov. Dec. Jan. Feb. Mar. Apr. May June July

tired for a summer's rest until the break brought them back.

Wall Street can stand anything but inaction, and the more restless operators shifted their chips for a few days to the wheat pit, where the betting on the weather and short wheat crops was good for more points than stocks. With the average of all the 1⅓ billion shares of listed stocks sagging around $19, with about ¾ of a million shares traded in per day, the game became a bit lackadaisical. Wheat rose about 7¢ on 53 in the week, which looked much livelier.

The market responded feebly to announcement of organization of the Young Committee of bankers and business men to tackle the money–unemployment problem, but did not find much nourishment in the news.

Utility stocks, particularly the holding companies, weakened somewhat under the poor power production records for the week, and tobaccos and other consumer goods securities were sensitive to evidences of sharpening contraction in consumer purchasing power.

Pool Reports Prove Weak Props for Bonds

EXPECTATION that the Young Committee might attempt some sort of bond-buying pool brought scarcely any pause this week in the steady decline of bond prices which has ruled with little interruption since the middle of March. Such pool operation would be a logical point of attack on the problem of putting excess city bank reserves to work, but it would have to be on a large scale with promises of comprehensive cooperation well sewed up.

Shows Lack of Confidence

Continued weakness in bonds is evidence chiefly of lack of confidence in the legislative and fiscal outlook and this is increasing. Considerable trust fund and fire and casualty company liquidation has come out. City banks have bought a small amount of other than governments in the past two weeks but this is an indication of desperation in finding use for surplus funds. Municipal securities have been more active, and foreign bonds were fairly steady until fears about Europe brought weakness in Germans.

Treasuries fluctuate with the Washington news. The President's pronouncement against large federal public works financing, and prospects of postponement or scrapping of the Goldsborough bill in the Senate strengthened the government bond market momentarily, but quibbles about whether the Treasury or the Reconstruction Finance Corporation is to do the borrowing do not kid the bond buyer. It is evident that large federal borrowing is inescapable. Under present conditions, government bonds have become a pretty speculative proposition and there is a large amount of sudden shifting and switching of bank holdings, with banks playing for a few fractional points on heavy trading.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

June 1, 1932

We Repeat—

CONGRESS, attempting to frame a tax bill in the midst of shouting groups, pulling this way and that, each grabbing for special favors, is attempting the hopeless, as the results so far show.

The President is completely right and will have the support of the country at large in his angry denunciation of the "locust swarm of lobbyists." The spectacle of log-rolling and tariff trading that goes on in the Capitol under ordinary conditions is sufficiently disillusioning to those who would like to believe in democratic government. But in this desperate situation and this disheartening year, it is completely dismaying.

Business men ought to be, and no doubt privately are, ashamed of themselves for joining in the scramble, seizing the occasion of a chaotic election year to cow their representatives and senators into granting special favors. To coerce Congress into writing special tariff provisions into an emergency revenue measure is particularly indefensible. But the situation is made to order for lobbying, and industries desperately trying to keep from drowning in a rising tide of red ink naturally will take advantage of it. They grab in desperation, they grab in self-defense so as not to be at a competitive disadvantage, and they fight against real or imagined discrimination.

If business interests ought to be ashamed, so ought the veterans, so ought the other organized and clamant minorities. And so ought Congress be ashamed not to have patriotism, courage or just plain guts enough to put the country's welfare above reelection to a job.

But there is not much practical point in talking about what ought to be. The facts are that the present spectacle is the inevitable result of the legislative situation which has developed. It is the situation which must be remedied; the unpleasant traits of human nature cannot be, at least not by this session of Congress.

We pointed out a few weeks ago that Congress cannot in this short time or in this atmosphere frame a tax measure scientifically designed to serve the best interests of the nation over a long period of years. We observed even then that it was botching together "a miserable makeshift, a haphazard hodge-podge, recklessly discriminating against individual industries and dangerously dubious as to its adequacy to yield the return necessary to balance the budget." Now the bill is immeasurably worse. Now the measure is becoming merely an omnibus of special privilege.

It becomes more imperative every day that a solution be found. We say again:

The simplest, safest, and speediest solution of the problem is to scrap present proposals, and revert for the period of the fiscal emergency to a universal manufacturers' excise, which of all forms of sales taxation will be easiest to administer and lightest in its burden on the consumer.

Moreover, it eliminates special favors, makes log-rolling futile, and, we should think, would even have its campaigning advantages to the Congressmen seeking re-election.

Above all, such a course would shorten the session, and time is of the essence of the problem. It grows more and more apparent every day that the processes of recovery, the ambitious program of the Federal Reserve and of the Reconstruction Finance Corporation, are stalled until the business world, and in particular the financial world, knows definitely the conditions under which it must operate from now on. Fear of Congress is perhaps a little exaggerated, but it is sound reasoning that business decisions cannot be made until these things are settled.

Prompt and decisive action will do more than wipe out a shameful picture in Washington; it may well clear the way to general recovery.

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